

Social Research

AN INTERNATIONAL QUARTERLY
OF POLITICAL AND SOCIAL SCIENCE

VOLUME THREE • NOVEMBER 1936 • NUMBER FOUR

Collective Security	<i>Hans Simons</i>	383
Proportional Representation and the Breakdown of German Democracy	<i>F. A. Hermens</i>	411
Potentialities of Agricultural Reform in the South	<i>Karl Brandt</i>	434
Commentary on Keynes—I	<i>Hans Neisser</i>	459
Commentary on Keynes—II	<i>Emil Lederer</i>	478
A Case of Mania with its Social Implications (Note)	<i>Erwin Levy</i>	488
The Place of Alfred Weber's <i>Kultursoziologie</i> in Social Thought (Note)	<i>Albert Salomon</i>	494
Book Reviews		501

Copyright, 1936, and published quarterly by the New School for Social Research, 66 West Twelfth Street, New York, N. Y. All rights reserved. Contributions to SOCIAL RESEARCH may not be reprinted without the permission of the editors. Subscriptions, \$2.00 a year, 50 cents a single copy; Canadian and foreign subscriptions, \$2.50 a year. Entered as second-class matter May 2, 1934, at the post office at New York, New York, under the Act of March 3, 1879.

EDITORIAL BOARD

MAX ASCOLI	FRITZ LEHMANN
KARL BRANDT	RUDOLF LITTAUER
ARNOLD BRECHT	CARL MAYER
GERHARD COLM	ALBERT SALOMON
ARTHUR FEILER	GAETANO SALVEMINI
EDUARD HEIMANN	HANS SIMONS
ALVIN JOHNSON	HANS SPEIER
ALFRED KÄHLER	HANS STAUDINGER
HORACE M. KALLEN	MAX WERTHEIMER
EMIL LEDERER	FRIEDA WUNDERLICH

SOCIAL RESEARCH

is published in February, May, August and November,
by the Graduate Faculty of Political and Social Science
of the New School for Social Research

EDITORIAL AND BUSINESS OFFICE

66 West Twelfth Street, New York, N. Y. Address all
communications to Dr. Hans Speier, Secretary.

SUBSCRIPTION PRICE

\$2.00 a year, 50 cents a single copy
Canadian and foreign, \$2.50 a year

COLLECTIVE SECURITY

BY HANS SIMONS

I

WHILE these lines are being written the reform of the League of Nations has still to be discussed by the representatives of its members; before they are printed the proposals of different countries will have been published and probably submitted to a committee which will study them more thoroughly than can the Assembly of the League. Public opinion all over the world has participated in proposing changes for the Covenant as well as for the practice of the League. Some governments have already indicated the line their representatives will follow during the coming deliberations. These various contributions have one thing in common: they all center around the problem of collective security. They differ, however, in every other respect. There is no accord as to what shall be the main purpose of international cooperation or the means of its pursuit. Is the League to be strengthened by making the obligations of the members more strict and definite? Or will it be only weakened by such an attempt, so that it would be better to loosen the Covenant? Is it desirable to omit sanctions and rely on other means of international influence, as does the Argentine Anti-War Pact? Is the main task of the League that of preventing war or that of ending war when it has been waged contrary to the terms of the Covenant? Or is the conception of the League in any case based on erroneous suppositions and is security therefore to be sought by other methods, such as alliances, rearmament and all the complicated devices of a new balance of power? It will take much more than political oratory if the terms used in these discussions are to be so defined that their importance can be generally evaluated. It is therefore still timely to attempt a certain measure of clarification which thus far seems to be lacking, in spite of the heated disputes which have been carried on

since the League did not succeed in preventing or stopping the Italo-Ethiopian war, much less in preserving "as against external aggression the territorial integrity and existing political independence" of Ethiopia, as its members undertook according to Article 10 of the Covenant.

The international discussion of collective security has developed no definition generally adopted by politicians, lawyers and writers. This leads to much confusion. First of all, collective security is an ideal, bound, as it were, to a set of presuppositions which have an axiomatic bearing upon it. Taken as such it means a status—be it political, social or religious—in which individual insecurity cannot exist, either because the individual cares only for the fate of the group as a whole, gladly sacrificing himself, if need be, for the values represented by it, or because the group is strong enough to guarantee its status effectively to every individual. This ideal cannot materialize without a general belief in certain ultimate values and their implications. Hence it can be discussed only in close relation to an all-embracing creed. As nothing actually exists which is common enough and strong enough to provide a basis of collective security such discussions are bound to be generalizing speculations not founded on given facts. Theoretically there can be collective security, for instance, within Christianity, which applies the same notion of brotherhood to all human relations, or within a communist society, which guarantees uniform patterns of human contact, or even in a world empire where all possible human conflicts are settled by an uncontested central authority. No such community exists or can at present be created in the religious or in the social or in the political field. Collective security then, since it represents an ideal status, should be omitted from political discussion. For by mingling its implications with problems of principle and technique much harm has been done to the reputation of international politics. If the ideal of collective security is to survive in any field it has to be set against, not among, the striving forces of actual peace policy.

As a principle collective security is not at all a new political scheme. It has always been the corollary of individual security, and as such is a standard device of social life. In this meaning the term indicates that the security of each individual depends upon the security of all other individuals, severally and combined, and that this interdependence makes individual security the concern of all, insecurity of any part endangering the whole of the organization. Furthermore, it has always been applied in a twofold meaning: either as putting the security of the group above that of the individual, or as completing individual security by collective cooperation. It is obvious that both forms are interlocked. The group can guarantee the security of its members only if its organized forces are always superior to the unorganized forces of its members. That means a correspondence of guarantee and limitation. The group as a whole must be in a position to grant or deny the guarantee claimed by its members, to define the requirements of its own security, and to enforce the limits of individual security.

This is what actually happens where the principle is most thoroughly applied: in the state. The variations in the different states depend largely on whether collective security is conceived as security of the organized group or as individual security guaranteed by the group, whether there is only an ephemeral compromise or a real relation between both interests. While the compromise may be the result of practically any form of limited cooperation, the integral relation needs accepted standards which make the decision of the group coincide with the wishes of its members. The force of integrating or disintegrating factors active in different states depends largely on whether there is such an indisputable common concern into which collective and individual security are merged. In any case the principle of collective security is applied and works in spite of many opposing influences. But between the states there is not yet any question of such an application, as collective security is only a *petitio principii*. By confronting such an ideal with a new technique of practical politics the principle has

been discredited. If it is to be rehabilitated its prerequisites have to be visualized. Instead, its possible ultimate consequences have been anticipated in an abortive attempt to make a loose international organization act as society does within one state.

The confusion of an ideal and a principle with a technique has roots not only in human nature, which does not like to differentiate the various levels on which social forces work. It is founded as well on the actual circumstances in which the technique was developed, and on the particular arguments by which it was recommended. For the political proposals floated on a stream of moral associations, invigorated by the most effective war propaganda, and the device of organization was presented as an integrating principle of politics. As a recipe for combining controversial interests into one international organization collective security has a definitely restricted meaning. It is a method of adding the strength of as many several members of the group as possible to the individual strength of each member, primarily in order to avoid potential aggression, then to ward off attack if it occurs notwithstanding. The pooling of strength means that each member may dare to become weaker, that is, to disarm.

As offered in the Covenant of the League of Nations this recipe could attract idealists and dogmatists for it held out some hopeful prospects. First, it promised general applicability to the relations of all sovereign states, whereas earlier attempts were restricted to a limited area or to a certain group of governments. Then security was provided for quite generally against any aggression, while earlier organizations were aimed at a special potential aggressor. Furthermore, the planned cooperation was founded on legal prerequisites, where former agreements were based upon political conditions. Finally, the driving force which had to put the machinery of the League to work was to be created not only by the immediate interests of the individual state which wished to be secure, but by a common interest in international security. For this even a direct national interest had to be sacrificed because the indirect interest in the maintenance of peace was supposed to

be superior. General disarmament was to become possible psychologically and technically, and was to be carried through by the League of Nations.

It is this technique which has worked and failed during the past period. But because it has been handled in the name of an ideal and explained by the notions of a principle, its actual deficiencies have, in the minds of many people, affected the moral implications of international security. On the other hand, the technique was developed in response to an urgent need, characterizing the aftermath of the World War. Therefore in the field of international relations it was identified with a vision of a new era in foreign policy, just as social security is sometimes identified with a new social order, or moral security with religious conversion. Hence, and in spite of the political facts, the technique of collective security has to stand for the whole problem of how to eliminate from the field of international relations the feeling of insecurity which is such a strain on the stamina of nations as well as individuals.

The more it has to be kept in mind, then, that general definitions as usually given for the term cannot be accepted. Collective security can neither "abolish war," the causes of which it does not take into account, nor create a general state of mind free from the "feeling of insecurity," the economic and social reasons for which it does not even touch. It can neither replace by an anonymous "common responsibility" the responsibility of individual governments, with which their peoples have constitutionally burdened them nor "extinguish sovereignty," which is more deeply rooted in the national than in the international nature of the state. It does offer, however, some guarantee against the consequences of insecurity, which in itself cannot be eliminated. It can best be described as a kind of international insurance against war or, if war is unavoidable, against defeat.

This insurance has not hitherto used any devices of what has become a very developed method in the social and economic field. On the contrary, it has combined features of military and political

protection with rather new methods of international cooperation. This combination weakened the structure of the League of Nations. Some separate factors contribute especially to this result. First of all, the protection which was to be procured by collective action was directed not so much against unknown possible dangers as against known potential enemies. Further, security, in so far as it is really collective, is achieved not against events independent of the deeds and decisions of the nations commonly insured, but against their own actions—each of them being regarded as a partial protector and as a potential aggressor at the same time. Finally, no standards were suggested for evaluating the relative importance of protection as offered to the single state, and of security as claimed for the organized group itself. As it is, this conglomerate in the Covenant was bound to be a rather unstable foundation of the new international order.

The lack of standards reflects basic difficulties created by economic factors, political forces and psychological influences much too diversified to be standardized. But other difficulties can be overcome if only the technique of collective security is thereby clearly severed from the old technique of national safety. They must be overcome if international cooperation in preventing war shall continue to any useful purpose. But historically and actually international security is interlinked with national problems to such an extent that any insecurity which in its causes and consequences could be restricted to the states concerned automatically becomes a world problem. International politics has thus inherited characteristics of national policy which have handicapped it in its general growth, whereas national policy has been fictitiously fixed to world problems only loosely connected with it. Hence collective security has become accumulated weakness instead of combined strength.

II

There are always two methods by which a country strives to get security: weakening the enemy and strengthening itself. These

methods survived in the Paris peace treaties and were illogically but effectively combined with a new form of collective security. Thereby the system of the League of Nations was burdened with responsibility for particular protection of one of the victors of the war against one of the vanquished. The League did not only accept the obligation, it even endorsed the machinery of separate treaties by which France sought to gain individual insurance and general guarantee of her European position. The former enemy was kept down in many fields important for her international strength. Her territory was diminished. The neutral zone in the Rhine Valley was established. Economic discrimination during the first years hampered her recovery. Heavy financial burdens lessened her credit and for years hindered monetary stabilization. Most important, she was disarmed on a scale and to an extent unheard of in modern history. Thereby the primitive form of security was effectively achieved, namely elimination of the forces by which a country may attack her neighbor.

But this success prevented France from gaining greater political protection. Because of what she received in terms of military, economic and territorial security, the protected guarantee treaty she wished to conclude with Great Britain and the United States was denied to her. Of course, opposition in the United States to European entanglements played its decisive part, but it took its arguments from the fact that France was amply protected by the peace treaty itself. Public opinion in Great Britain likewise did not think it necessary to add special political guarantee to the Versailles system, except through the Covenant of the League of Nations. The Cannes negotiations in 1922, when France renewed her struggle for a British guarantee against Germany, proved definitely that the amount of direct security she had obtained was in the way of indirect security to be provided by her former allies. Meanwhile France built up her own system of alliances. Then exactly the same happened on a new level, when a too elaborate system of indirect security by mutual guarantee hindered the development of collective security by disarmament.

So the whole structure of security rested on three different levels. The basis, historically and actually, was formed by national defense and defensive alliances. To them were added treaties of non-aggression, neutrality and mutual guarantee. The League of Nations tried to embrace both techniques and to adapt them to its own structure, but thereby adapted itself, if unconsciously, to these heteronomous devices characteristic of another political system.

As to the first level, a vast amount of energy and skill was spent on rebuilding national strength to a degree sufficient for self-defense. Yet national power was to be completed by assistance to be gained from other countries. On this level the problem was primarily European and centered around the fears created by the World War. It does not matter whether these feelings were justified from the beginning. At any rate they were a driving force in postwar politics. They started the French system of alliances as early as 1920 on a purely military basis. Politically they were in plain contradiction to the Covenant of the League of Nations. The first military understanding between France and Belgium was not even registered under Article 18 of the Covenant. Later on the security treaties conformed legalistically to the terms of the Covenant, but practically they undermined the new international organization. Certainly they can be explained as an attempt to bridge a gap in the system of war prevention. Yet they could not succeed because they opened only another rift by forming antagonistic groups and creating political prejudices which became more and more dangerous to peace. For they destroyed multilateral confidence for the sake of bilateral cooperation. On this level the basic idea was the maintenance of the status quo—for the strength of one state as well as for the weakness of another—whether represented by territorial gains and losses or by armaments or by political combinations. On this level of security changing circumstances clash with the rigidity of a system inflexible except for readjustments in the military strength of nations. On this level, also, defense is directed not against anyone who may

become an aggressor but against someone who is expected to intend aggression. From this point the influence of stiffened disagreement and disguised animosity crept into the broader field of international cooperation.

On the second level two distinctly different forms are used for peace policy. The one is represented by the Russian system of non-aggression and neutrality treaties, combined with a mutually accepted technical definition of what constitutes aggression. The other is embodied in the Locarno treaties. Both forms are supplemented by pledges to peaceful settlement, by means of conciliation, in any disputes which arise. These methods have some common characteristics in spite of many differences. Direct security means strengthening the position of a country toward a special enemy. Alliances serving this purpose are based on a common policy regarding one distinct nation. The allied powers do not expect any dangerous disputes among themselves. They form a group the very existence of which presupposes that another power or group of powers is inimical to them. Balance of power or predominance of a powerful combination are the usual results of such alignments. This is true for combinations such as the Little Entente, which was organized against Hapsburg restoration and Hungarian vindication, for those such as the Balkan entente, which was directed against Italy, and for the Stresa Front, which was formed as a concentration of forces against German rearmament. The decisive step toward indirect security was taken when antagonistic forces pledged themselves to a common peace policy. The Russian method tried to bind discordant countries by mutual obligation of non-aggression and neutrality. This system first developed outside the League of Nations, of which Russia was not then a member. Since it was extended to countries not neighbors of Russia and since Russia subsequently entered the League, it lost some of its particular importance. Yet it remains an interesting instance of a trend which in principle contradicts the idea of collective security, as it isolates the relations between the parties of the treaties from the general system of an international or-

ganization. The Locarno treaty likewise brought antagonistic forces into agreement. Here too renunciation of war was the decisive feature. It included furthermore, as far as the Franco-German frontier was concerned, a definite renunciation of territorial change. Yet at the same time by differentiating, in the instruments which formed the whole understanding, between Germany's western and eastern neighbors, it indicated that security does not mean merely maintenance of the status quo. In this scheme the possibility of territorial changes was for the first time at least not formally rejected in the terms of the treaty. Nevertheless the parties definitely agreed to settle all their disputes by peaceful means. The Locarno treaty developed in a singular situation, which it did not at once change, as evidenced by the fact that troops of League members occupied German territory for some time after she entered the League. Nevertheless the progress achieved in Locarno is obvious, for a front of friendly nations rallying against a potential enemy was replaced by a group of political companions responsible to each other. Sovereign rights of decision and action were restricted by renunciation of certain methods and by submission to certain authorities. When seen in this light Russia's joining the League and also the proviso of the Locarno treaty that it could be subsumed under the Covenant seemed to be logical parts of a continuing development.

But Russia did not stop at coordinating her system with the collective security of the League, nor did Germany ask the Council of the League to declare that the League itself insured sufficient protection and that therefore the Locarno treaty should cease to have effect—as it could by a two thirds majority under Article 8 of this treaty. Instead Russia discarded her carefully developed scheme and entered the Mutual Assistance Pact with France. This treaty revived the old form of alliance, and though its masterly formulation made it legally consistent with the Covenant and the Locarno treaty, politically it is incompatible with both. Germany left the League and denounced the Locarno treaty, purposely striking at collective security and its implications of renunciation

and sacrifice. The political reasons for these moves cannot be analyzed here. They center around the German-Russian antagonism which has become a decisive factor of international politics. In relation to collective security the facts indicate that the trend toward mutuality, always weakened by the rudimentary devices of alliances and bilateral treaties, was not strong enough to survive the enormous changes within the single states which counteracted it.

III

If it were not for the text of some of the documents and for the fact that the League of Nations registered them, this whole development could have taken place regardless of whether the League existed or not. It is fair to say that the League did not make a great difference in the political form and importance of the various schemes of security. In fact the plan realized in Locarno was conceived at a time when Germany's joining the League was still out of the question. The Russian system developed outside the League, and the League even accepted from it the idea and formula of defining aggression. There is a relation between the League on the one side, and the Locarno treaty and the Russian treaties of mutual assistance on the other, but it is highly artificial. It coordinates things which cannot be combined. As for Locarno, the Council contented itself with fulfilling a formal function, leaving it to the parties to settle their disputes. In the Russian case, should the treaty with France ever come to be applied and should it then prove to be politically valid, any move of the League would be preceded and to that extent anticipated by what the parties have to do in pursuance of their mutual obligations. All alliances, moreover, flourished as if no League existed or at least as if its machinery for collective security did not work.

Yet if its purpose was to be achieved either the League itself had to check those deviations from true collectivity or the powers engaged by the various alliances, ententes and pacts had to aban-

don their particular obligations for the sake of their mutual responsibility within the League. But neither did the members trust the potential strength of the League more than they trusted their own power, nor did the League dare to use the terms of its Article 20 by which "the members severally agree that this Covenant is accepted as abrogating all obligations or understandings *inter se* which are inconsistent with the terms thereof, and solemnly undertake that they will not hereafter enter into any engagements inconsistent with the terms thereof." Quite obligingly politicians and lawyers interpreted this article as indicating that all treaties destined to maintain peaceful relations between the parties, and all alliances serving merely defensive purposes, were consistent with the Covenant. No student of international relations should be blinded by such formal arguments against the fundamental truth that any obligation which restricts a member of the League in its freedom of political decision within the Council or Assembly, by whatever preceding special obligations, is against the spirit of the Covenant and prevents its practical working. One of the essential reasons for the failure of collective security is that this truth was not respected, because political expediency and psychological inclinations offered easier solutions in compromises. For it made the work of the League, important as it is regarding minor issues, somewhat unreal where major issues were concerned. This unreality in its turn induced the organs of the League to spend much time and energy on theoretical proposals, logically satisfactory but unfit for solving European troubles, much less world problems. The greater the abstract achievements, as in the Geneva Protocol, the smaller were the applicable results. As soon as such schemes left the particular atmosphere of Geneva they lost their political validity.

Compared with these basic difficulties the circumstances in which the system of security as created by the Covenant was for the first time tentatively put to work are not so important as they seem to be. That the League failed in the Italo-Ethiopian War can easily be explained by the particular situation. First of all,

Ethiopia lacked certain qualities which would elicit effective sympathy for the victim of aggression, not only from the members of the League but from all other nations. Furthermore, the French-Italian relation, determined by Germany's growing weight in a conceivable European balance, compelled France to delay decisions and impede actions of the League. Finally, the conflict, being colonial in character, did not fit into what was anticipated when the Covenant was drafted. On the other hand, it is easy to think of other conflicts in which none of these influences would prevent the functioning of collective security, but the fundamental causes for the recent events would still remain. Regardless of the circumstances the League will fail in the same way in any other case where one or several of its essential difficulties come into the picture. It is not that it was especially unfortunate in the case of Ethiopia, but that it was particularly lucky in those cases where it was successful. In most instances, moreover, the League was not really tested, because its mere existence prevented the use of force and helped the conflicting parties to find a compromise.

Basically the League's form of collective security contains the element of insecurity that is found in all political security schemes. The essential purpose of the sequence of possible reactions which they prepare against the action of an aggressor is to make the risk of an attack greater and less calculable. Security of one nation, therefore, makes for insecurity of another which has any unfriendly intentions. For the stronger the former is, the less can the latter foresee what will happen if it attacks. If nobody knows whether all other states in a group will act or how far they will go, it is not possible to take for granted either the security of a group or the insecurity of those of its members which are dissatisfied with a situation and aim at independent action. The larger the group, the greater this uncertainty as to its coherence and consistency, the greater then the chance for anyone who dares to challenge it. This correspondence of relatively calculable risks in terms of defense, and more or less incalculable dangers in terms

of attack, is the basis of postwar so-called security. Reliance on the one side and resignation on the other rest upon the unknown forces of armaments, alliances and common actions—forces so uncertain as to deter a nation from setting them in motion. The structural weakness which characterizes the set-up of international relations is equalized by the strength which it gains from its extreme complication. The war expectation which is engendered by its incomprehensibility, and which plays such a dangerous part in international politics, is balanced by the war expectation that results from the unpredictability of its forces. Public opinion usually accepts war as soon as it can be assured that it will be successful. Hence if the enigmatic element disappears, and if mere risk becomes a reasonable chance, the deterrent is converted into attraction, security and insecurity change their places as between defendant and aggressor, and the whole system is at stake. This is exactly what happened when the League applied sanctions. This, and not the interests concerned or the parties involved, makes its non-success so utterly significant, while the circumstances in which it acted, so overrated in public discussion, were instrumental only in uncovering deficiencies which have to be faced as such, independent of their ephemeral symptoms.

Of these deficiencies those connected with the realization of a great vision are usually amply discussed. No doubt the League would be stronger if it were universal. True, it would be more versatile if its decisions could be reached by a majority instead of by prescribed unanimity. And there is no question but that the decisions would be much more effective if they could be enforced by direct coercion. The difficulties arising in the practical field are still insurmountable. Even if Germany and Japan would come back into the League, the United States will not join it. Even if some extraordinary events should induce the United States to cooperate with the European powers which today practically determine the political activities of the League, the price to be paid would be strict maintenance of the unanimity rule and omission of any attempt to provide international enforcement. In other

words, the gain in universality would mean a loss in the other values. Should majority decision of important issues be permitted the League would lose old members instead of gaining new ones. Coercion, disregarding the unsolved problem of how to bring it about, can be thought of only as the last link in a possible development. As things are today it would blow up the League as soon as really effective methods were suggested. Plans which proved to be impractical immediately after the war, however, are today much further from realization. Although they may be logically sound and good material for theoretical discussions, they are somewhat dangerous, as actual discussions have proved, if abstract criticism and hoped for reformation are based upon them.

On the other hand, the deficiencies related to the conception of security are of immediate practical importance, since they influence decidedly the direction in which the League develops. Their correction, therefore, can entail political effects. They all belong to the sphere of collective security proper. The first is the erroneous transplantation of devices connected with individual or group security into the field of collective security. This results in technical tensions which jeopardize the whole scheme. Thus the method of alliances, which is commonly to engage allied powers in any armed conflict of one of them, was adopted in the terminology and technique of Article 16 of the Covenant. In conformity thereto war becomes collective, whereas obviously security demands that it be localized. Next the dangerous mixture of individual and group security was accepted by the League without resistance. Thereby nations lost their capacity as independent members and were compelled to decide and act according to their capacity as neutrals, neighbors, allies or fellow members of a special group. The League as a whole recognized this confusion by granting certain privileges to the different groups which now are represented within it as the so-called neutral powers, the Scandinavian group, the Little Entente, the South American group and so on. Then the Covenant helped to develop the element of risk instead of security. As it is nearly always unpre-

dictable whether the Council will decide or recommend unanimously, because its members are not bound by exact definitions regarding attack, breach of treaty and violation of international law, there is always a chance of circumventing the provisos of the Covenant. This uncertainty in turn promotes understandings by which the attitude of the Council is to be predetermined as much as possible. Though the organs of the League encouraged and favored them, no plan was developed of geographical or political decentralization, of defined competences or of different levels of decision, but only a crisscross of relations outside of any collective control.

At the same time, every member of the League can be held responsible for the state of insecurity resulting from these partisan groupings, if asked to cooperate in collective action to restore security. Thus a country keeping out of alliances, favoring friendly and peaceful methods of international relations, can be called upon to pay for other nations' faults by contributing to a so-called common cause the results of its self-restriction in terms of national strength, wealth and security. In case of collective war it can even be asked, for the sake of purposes and profits not of its direct concern, to offer its last resources, the use of which it denied to itself, perhaps in spite of vital interests. While the feeling of international responsibility is widespread and most people realize that insecurity, even in other continents, becomes detrimental to their own well-being as soon as it develops into a threat of war, no government can dare to ask its public opinion to endorse national sacrifices before definite attempts have been made to restore security at the expense of those nations which endanger the peace of the world. This means that a European rearrangement which settles actual disputes has to precede any action by which the collective system within the League can be improved or enlarged.

The peace plans submitted by the German and French governments indicate the enormous difficulty of such a task. The German plan would put Germany into a position very similar to that

which Russia reached through her system of non-aggression pacts. It would not solve the problem of how the obligations imposed upon the signatories of these treaties can be made to conform to the obligations under the Covenant. Besides, it would not settle some of the most dangerous issues, such as the German-Russian tension. The French plan tries to outline a European organization, yet it combines again purposes which during the postwar period have proved to be incompatible: on the one side, it demands rigid maintenance of the territorial status quo for a period of twenty-five years, during which no outlet is provided for the changing forces which destroy a structure if checked too long (for a later period it provides changes only by unanimous vote); on the other side, it introduces the majority rule for changes of greatest importance, such as disarmament, control of economic relations and international coercion, where hardly any nation will consent to being outvoted. The plan of European organization is certainly a response to an urgent demand, but the question how to fit it into the League of Nations is not even tentatively answered. Much time must elapse and a happy coincidence of favorable circumstances will be needed if there is to be any result of the pending negotiations. Meanwhile the League of Nations may easily be confronted with a new violation of the Covenant. Then the problem of collective security will again come to the fore.

IV

Some conclusions, therefore, must be drawn at once. By reconsidering the real meaning of security and practicable means of achieving as much of it as possible, something can be done without forestalling the outcome, inconclusive as it may be, of general discussions regarding League reform and a new European Council. But then we have to go back to the true aim of all devices for security, which is to insure a nation against war or defeat. Practically all of them were conceived as preliminary stages of disarmament. During the preparations for reaching this ultimate goal so

many difficulties were uncovered, so much insecurity became obvious, that along with the discussions concerning the limitation of armaments there occurred plenty of proof that rearmament remained absolutely necessary. The contradictions as shown above culminated in this last paradox. Today it is generally accepted that disarmament and even limitation of armaments have utterly failed. This includes the failure of collective security, for armament, whatever the political explanations, is in the last analysis preparation for war.

If security has been built on erroneous premises, and if the forces of insecurity have been stronger than all the technical devices of collective security, why not try to use these very forces to develop at least some elements of international security to be added to the methods of national security? Why not accept for the time being the fact that nations are still less altruistic than individuals and that therefore no scheme can work which definitely defies innate human qualities? Every nation will gladly accept assistance and in exchange offer its own help if that serves its own interests. Nearly every nation is able to recognize international interests if they are part of a national set of values. Yet no nation can, in the long run, depend entirely upon foreign forces. For the sake of self-reliance and all its implications it must be conscious of its own strength and of its ability to defend and preserve its existence. Limitation of armaments, then, although it may be made possible by economic reasons, is accepted only if the relative strength of the nations concerned is not essentially modified. Normally it remains one of the primary claims of a people to dispose independently of its own military resources. Whether we like it or not, we have to accept this fact as fundamental in the context of our discussion.

Hence a new attempt should eliminate some of the devices which have thus far failed in giving international security, as well as develop other forms which perhaps offer better opportunities. Most important, if the foregoing analysis is tenable, is the shifting from sanctions against the aggressor to assistance for the at-

tacked country. Such a change of course has to be prepared as carefully as sanctions should have been planned before they were applied in practice. First of all, the members of the League have to agree that active help given to a country which the authorities of the League have declared to be the victim of an attack does not imply that the nations joining in such assistance actually wage war against the aggressor. The aggressor may nevertheless refuse to accept such a rather theoretical distinction. For apart from legal interpretations, as soon as hostilities start between nationals of different countries it becomes a *quaestio facti* whether war exists between these countries or not, and the answer can be given by either side as it pleases. So Italy made it quite clear what action of the League or members thereof she would tolerate and what other actions she would consider to constitute war. Yet the theoretical distinction can gain practical importance if assistance to the attacked country means that all activities are restricted to the invaded territory. In this case the aggressor himself has an interest in accepting the distinction, because war would mean his exposure to any kind of force, even on his own soil. This limited assistance implies a definition of the aggressor somewhat different from what has hitherto been formulated, but it stresses the main point, namely that assistance either in terms of the Covenant or in terms of special treaties shall be called for only if aggression is obvious and undeniable, in other words, if the territory of a state is violated.

Such assistance is entirely within the purview of the Covenant. It is moreover less complicated than sanctions generally applied against an aggressor. One can think of situations where it would be even less burdensome for the participating states than economic boycott. Certainly it creates less confusion and misunderstanding, for it localizes the conflict as much as possible instead of spreading it, through economic repercussions, over the whole membership of the League and even farther. It compels the members taking part in it to deal with the real issue. Procrastination, which was so shockingly characteristic of what happened during

the Italo-Ethiopian war, would be unlikely because the task of direct help to an attacked state is more definite than any indirect pressure brought to bear upon the aggressor.

Yet there remains one decisive difficulty. Can such assistance be made compulsory? Even the decision regarding economic sanctions has been left to the single members of the League. If assistance is to be compulsory, which states have to act? Obviously assistance cannot be expected from members who have no stake in the conflict or are so far from where the actions have to be localized that their cooperation is nearly impossible. What, furthermore, is the status of the active and of the passive members of the League in terms of the Covenant? Recent events have proved conclusively that in the present circumstances the assistance to be given to the victim of illegal attack cannot be compulsory, as far as the League of Nations is concerned. Voluntary assistance therefore has to be encouraged. To this end the Covenant has to be supplemented, for it merely stresses the protection of "the covenants of the League" by action directed against the aggressor, especially by sanctions. Certainly the guarantee of Article 10, the restoration of peace and of respect for international obligations, can better be achieved by methods which directly prevent the aggressor from gaining what he aims at by his illegal attempts. Thereby the danger of starting a world war in order to avoid or end local warfare can be overcome. On the contrary, force will be met by force on the very spot where it is applied—a method far more promising than the detours implied in the system of sanctions. This direct assistance, however, is possible only if the Council of the League declares the aggressor, and this depends on the voluntary action of some strong members. Any scheme therefore which does not give assurance to the weaker members is far from really adding to their security. The question then arises whether assistance can be made more independent from political factors than are present schemes, and whether it can be made more automatic in its functioning.

Here I wish to mention and amplify a plan which was first pro-

posed by Josiah Royce in an address, published under the title *War and Insurance* (New York 1914), delivered shortly after the outbreak of the World War. His idea was revived and modified by L. P. Jacks in two articles in the *Hibbert Journal* ("Collective Security" and "A Demilitarised League of Nations," vol. 34, nos. 2 and 4, January 1936, pp. 161-77, and July 1936, pp. 493-509). The philosophical approach of Royce is entirely different from the present analysis, which is concerned with a special situation emanating from the postwar development and the deficiencies of the League of Nations more than with general causes of war and a complex attempt to eliminate them gradually. Jacks, however, though he refers to Royce's plan, has restricted it to a definite practical proposal which deserves all possible attention and discussion. Rejecting the plan of an international army he suggests that the covenanting powers, instead of contributing say 10 per cent of their armed forces to such an international unit, should contribute to a guarantee fund 10 per cent of what their armaments cost them, consenting at the same time to reduce their expenditures on armaments to that extent. Basing his estimates on Europe only, he thinks that the actual value of 10 per cent of the yearly expenditures will amount to about 750 million dollars, and that during ten years the accumulation of an "international property" of about 5 billion dollars would be conceivable. The fund thus gathered should be used for "enterprises of investment, of development, of currency all over the world." A state which is party to such an agreement would forfeit its share in the fund whenever it breaks its international pledges. This proviso, he holds, would be a certain check on states tending to illegal actions. At the same time the fund itself would help the important task "of creating a common interest and fostering positive cooperation."

Nobody can overlook the enormous technical difficulties which are in the way of such a scheme. For some states the transfer of money is nearly impossible. Can they pay their contributions in goods? If they can, to dispose of these goods is a highly intricate

and delicate task. It cannot be solved without interfering with economic regulations by which other states control their own imports, exports and currency. A contribution may mean a very serious financial or economic strain for a country which has developed a highly self-supporting economy, whereas the same nominal payment could easily be made by a country enjoying a favorable trade balance. The investment of such sums, even if they can be transferred, is no less complicated. They must be secure, not only economically against loss, but also politically against seizure. But in some countries interference of government in the economic field is practically unlimited. If part of the fund can be kept in gold, is there any place where it can be protected against political danger but available for its purposes if need be? Shall countries which do not offer special guarantees, because of their political and economic organization, be excluded from enjoying possible advantages of such deposits or investments within their boundaries? If the check on a potential breaker of international pledges is to be effective, no state should be able to save itself from losing its contributions—or perhaps even enrich itself—by seizing the funds invested or deposited within its reach. Must the administrators of the fund discriminate then between potential violators and probably faithful signatories and entrust funds only to the territories of the latter? What about possible earnings of the fund? Have they to be left where they accrue, or should they be used for other purposes? It is obvious that some of these questions cannot be answered generally but must be decided by the administrators of the fund. This administration is therefore of the highest political and economic importance. Can it be left to any political authority, or must it be entrusted to a body of independent trustees?

There are no offhand solutions for all these difficulties. Yet they are worth discussion and deliberation. The present writer made a similar proposal for collective security, before he learned of this one, and out of the conclusions drawn from his analysis he may add a few suggestions which in their different context change

the basis of the scheme and thereby answer some of its problems. Other problems, especially in the economic field, remain still to be tackled if from a political viewpoint the suggestions themselves seem to be acceptable and practicable.

First of all, the scheme should be restricted, for the time being, to the League of Nations. It may remain possible for other states to adhere to it if they are willing to accept the authority of the League without sharing in the rights of membership, a course which seems unlikely for any state. Within the League the fund should be definitely linked with the amount of expenditures for armament but not permanently fixed to a certain percentage. Decrease or increase of the percentage may be politically or technically advisable, if circumstances change. The real aim of the fund should be assistance to an attacked country. Although an aggressor might not be checked by the potential loss of a certain sum, that sum might mean important practical help for his victim. The restriction of the fund to the function of insurance more than of guarantee solves to a certain extent the problems of its administration. Limitation of the agreement to members of the League makes the practical experiences gained within this body available for the solution of some difficulties. During the preparation for the Disarmament Conference of 1932, for instance, a scheme was worked out which admits a fairly satisfactory comparison of armaments and expenditures therefor, and this scheme could be applied to fixing the contributions of the member states. To be sure, no scheme prevents ill-will and deceit, but this holds true for any kind of international agreement.

The League can elect trustees for the fund, following the complicated but successful method used in electing the judges to the Permanent Court of International Justice. The nomination for these elections can also be organized on similar lines, but the nominating groups in the different countries have to be formed for this special purpose. The Bank for International Settlements is an instance of important international activities in the financial field and can furnish valuable precedents to the experts who

would have to draft the technical part of the statute for the fund. The task of organizing it is not more difficult than that of creating the Permanent Court or of setting into operation the Young plan. If the idea as such is accepted, and the trustees are elected, the administration of the fund is mostly a technical problem. The part the League of Nations has in it is confined to accepting the statute giving the general rules for collecting and using the fund, one of the most important being that investments as well as deposits can, and should preferably, be made with and within certain states not members of the League. Except for possible changes in this statute, the Council and the Assembly of the League have only to state whether there exists a case of aggression in which the fund is to be used for assistance. In every other respect the trustees act on their own responsibility. Even then they still depend on the cooperation of the member states, which have to help in setting free invested money, in selling food, raw material and armaments to the fund for the sake of the attacked country, and in facilitating the transport of these goods to the place where they are needed. The extent of assistance has to be decided by the trustees, but the form may depend largely on the requests of the attacked country.

In this form of the scheme some of the characteristic devices of insurance are omitted. The coverage given to a victim of aggression in form of direct assistance cannot be related to that nation's contributions, because this would mean a dangerous disadvantage for the smaller nations or those less fully armed. On the other hand the trustees must remember that the fund is collected from the members and that all are entitled to share in the protection it offers. The disbursement, therefore, has to be in reasonable relation to the importance of the conflict and the amount available at a given time.

With these modifications the plan seems less fantastic than the schemes developed by the discussion of collective security after the World War. It takes into account the psychological imponderables heretofore neglected. A country which neither sees the need

for enormous armaments nor endangers its neighbors by more armaments than necessary is not compelled, as in any system of collective security, to pay for what is perhaps the military preparation of others. It has just as much to contribute to international insurance, relatively, as it is willing to spend for its own security. But it gains just the same potential assistance, relative to its needs, as any other contributor. On the other hand a country which deems it necessary to spend vast sums on armaments is free to do so, but as it estimates the risks to its existence and independence to be as great as is indicated by its military preparations, it has to pay an accordingly higher premium on its insurance, for which it gets the corresponding amount of safety in case it becomes the victim of an attack. The abstraction of collective responsibility is thereby replaced by facts and figures. No country need sacrifice pride or self-protection or suffer enforced renunciation. On the contrary it may gain a new consciousness of international interdependence if it aids the common cause of peace in the form of national achievement. Experience shows furthermore that to raise money for armaments is easier than to collect contributions for international organization. Public opinion certainly will accept the costs of protection if it can conceive their importance in connection with armaments and if it can think of them in such popular terms as are used in the insurance business.

From the international viewpoint the plan recommends itself also for its relative simplicity. The insecurity of unknown liabilities, complicated risks, generalized dangers and collectivized conflicts is replaced by a rather definite set of consequences which every country can calculate for itself, because they depend only on how the fund is to be used against an aggressor. Primarily, of course, the difficulties of complex relations are not lessened. This could be expected only if the use of the fund during peace time resulted in diminishing international tension. At least, however, this insurance does not increase political confusion, as does the ambiguous system of collective security added to alliances and

ententes. Also, from the technical point of view, the obligation imposed by this plan is definite and can be fulfilled. It can even be enforced. As all the contributing countries are mutually interested in the maintenance of the fund they will be ready to retaliate economically against a country which fails to pay its part. Again the familiarity with the purpose of insurance will be helpful. The idea of mutual insurance has conquered the economic field psychologically and practically. The political field should be equally accessible to it. In the long run such a scheme would work like a tax on armaments, thereby fulfilling, on an international scale, a task which no disarmament conference has yet accomplished.

Whether this plan can be realized depends not only on its own merits but on its relation to the body of international rules, customs and agreements into which it must fit. Two conditions have to be fulfilled: the situation in which the insurance has to be paid must be unequivocally and practically defined; and the disbursement itself must be politically and technically possible. As to the first, aggression is the only fact to be considered. Its definition is purely technical. There is no difference between provoked or unprovoked, direct or indirect attack. The state which first uses force in entering the territory of another, or does not try to prevent such an attack emanating from its territory, is an aggressor. No other actions, short of such a violation of territory, constitute the kind of aggression which calls for assistance through the fund. In the dispositions of the trustees neither a political nor a moral decision is implied. The state declared aggressor automatically loses its share in the fund; the attacked state is allowed a claim for help; the trustees merely execute the consequences of this situation. In regard to their actions the problem of neutrality does not exist in terms of international law, for the fund is not a state.

As to the second condition, there are, of course, technical difficulties of bringing support into the attacked country, independent of legalistic constructions, yet the financial means at the

disposal of the fund will certainly help to overcome them. There may be cases where this kind of assistance is useless because the aggressor is overwhelmingly strong, or because it acts so swiftly that help comes too late, or because a group attempts to defy the League and the fund. Even misuse of parts of the fund invested in attacking countries can hardly be prevented. If the risk is worth the aggressor's while and he is successful, nothing can be done politically for the victim. Nevertheless from the international viewpoint such failure is not so dangerous as the moral and political defeat within the framework of collective security, which damages national prestige and international goodwill far in excess of the real interests at stake. The longer such a plan works, however, the less likely is such a failure. For each participator in the international insurance will be able to calculate the economic consequences of an aggression much better and far more exactly than under any political scheme of collective security. This insurance therefore will accomplish what all other attempts have hitherto failed to do: it will increase the risk and diminish the prospects of the aggressor, but increase the security and diminish the uncertainty of the possible victim. In most cases this fact will be sufficient to induce a state to look for political methods short of aggressive war. Should war occur the crucial question of sanctions will be avoided because the assistance offered is restricted to a certain territory and to the special task of facilitating the defense. The parties to the agreement will have previously accepted the means to be used for this purpose. The issue, therefore, can never become so involved, the collective interest so doubtful and its legal basis so shaken as they have been in many cases where the system of collective security was concerned.

It would be useful to elaborate this scheme and to concentrate on its limited purposes instead of trying to solve the problems of peace and war by plans which are historically too European to become universal, politically too complicated to be practicable, geographically too broad to be workable, psychologically too narrow to be acceptable, and legally too loose to be binding. The

scheme does not interfere at all with the development of international arbitration or adjudication. On the contrary, the decisions on behalf of the fund may need juridical examination; in case of erroneous decision compensations from the fund may be adjudicated. Nor does the plan prevent technical disarmament if it should ever become possible, or hinder political rearrangements and regional groupings within the League of Nations. Of course, it cannot prevent alliances which instead of furthering security endanger the signatories as well as their potential enemies. The detrimental development of partisanship within a system of equal obligations and rights can be checked only by the League itself. This, however, leads from the limited area of collective security to the broader field of the League as a whole and its possible reform for the sake of effectively preventing war, and belongs to another discussion.

PROPORTIONAL REPRESENTATION AND THE BREAKDOWN OF GERMAN DEMOCRACY

BY F. A. HERMENS

ACCORDING to one school of thought democracy means the creation of the maximum amount of liberty for the individual, who is to get as many rights as possible and is not to bother with his corresponding duties toward society. As Max Weber put it, the aim is liberty *from* the state, not liberty *within* the state. It is easy to understand this conception of democracy. It is the logical result of the period in which democrats, opposing monarchical governments, charged them especially with the great amount of oppression which they necessarily imposed on a society that had lost its feudal character. After the pre-democratic government had fallen it should have become clear that democracy could not mean absolute liberty, that either it must be identical with anarchy or it must couple liberty with authority. In other words, it not only had to abolish the old governments, but had to replace them by the essence of democracy: leadership freely accepted and controlled by the people.

Nobody can deny the proposition that democracy cannot mean absolute liberty. But it is no less evident that we must from the outset regard proportional representation as an institutional embodiment of this mistaken interpretation of democracy. Democracy can reconcile liberty with authority only by subjecting the minority to the will of the majority. It is the very nature of proportional representation to deny this. According to its principles care is to be taken of the minority—or rather the minorities—and whenever a decision must be made concerning the country as a whole compromise is the solution to which we are referred.¹

¹ Cf. Kelsen, Hans, *Das Problem des Parlamentarismus* (Vienna 1926) pp. 33-34.

But certain fundamental tendencies are created by proportional representation which make this compromise impossible, replacing it by that kind of constitutional deadlock which is the ideal preparation for dictatorship. Nor can we accept the subterfuge, so frequently resorted to in France, that the purpose of parliament is deliberation first and decision later, requiring that all elements in the population be represented in parliament in order to allow the fundamental deliberations to be complete. This assumption not only takes decisions away from the electors and hands them over to parliament, but as we shall see it disregards the fact that proportional representation creates a new kind of party. These parties, instead of deliberating with the intention of arriving at a common decision, oppose each other with their "world-outlook" and do not hesitate to use bludgeon and revolver to enforce it.

The supporters of proportional representation, now few in number, have always regarded political will as static. In their opinion it is caused by such stable factors as social classes, religious or semi-religious creeds, and even "blood and soil." But it should be remembered that political creeds, to a considerable extent, vary according to the electoral system. Neither majority rule nor proportional representation is merely the "expression" of the "will of the people"; they direct and thereby create that will. And whereas the majority system directs it toward integration, proportional representation leads to a growing disintegration and artificially divides a nation against itself.

We have already mentioned the fact that proportional representation not only allows for a "more exact representation" of existing parties but also creates new ones. Certainly the degree to which it does this is different in almost each of the innumerable variations it exhibits in practice. For the purpose of the present investigation let us confine ourselves to the German electoral system, a much more radical attempt at proportional representation than any other as yet tried.

The elections of 1920 inaugurated the "automatic system" in

Germany. In every constituency a party received a seat for every 60,000 votes. A linking of lists was possible in adjacent constituencies, which were combined into district constituencies. If a party received a minimum of 30,000 votes in one constituency it could add to this number the votes cast for it in other constituencies of the district constituency, until the number 60,000 was reached. For each seat obtained by a party in a constituency or district constituency, another seat could be attributed to it on the *Reichsliste*, in which it could put to use even the smallest number of votes obtained in other constituencies. Experience proved that on the average at least 3 per cent of the votes cast were required in order to get the essential first 30,000 votes.

Now let us compare this with the situation existing under a majority system. Normally more than 50 per cent of the total vote is necessary for election, but we can safely assume that no candidate has a chance of success in a second ballot unless he gets 25 per cent of the votes in the first. If the reader will allow us to disregard many details which a quantitative measurement of social facts cannot take into account, we may conclude that it is eight times as easy to found a new party under proportional representation of the German type as it is under a majority system. Even a first glance at the history of political parties in modern democracies shows us that after each electoral campaign the battlefield is strewn with candidates as well as parties that have failed to succeed. We cannot but assume that under proportional representation a much greater number of them will obtain seats than under a majority system. After the first success has been achieved there is created a *foyer d'infection*, as it has been put in Belgium. In other words, a nucleus for a new group now exists, and voters know that they no longer "throw their votes away" when voting for this party; even though small it is bound to grow.

Moreover, the parties created by proportional representation are of a different nature from those molded by the majority system. The majority system is the most powerful agency yet devised for political moderation. The task of conquering a majority co-

incides with the task of winning over the marginal electors to one's colors. These are the "conscientious men," the "deeply meditative individuals" who, as Disraeli put it, take a long time before they make up their minds but are "of a charitable vein, that seems to pervade their being."¹ Every party manager damns them, and so, we may add, does every supporter of proportional representation, especially Victor Considérant and John Stuart Mill—but every democracy needs them badly. They are the great stumbling block for political radicalism, because they sometimes vote for one party and sometimes for the other. They do not have "principles" and do not blindly honor those who have. The right as well as the left must bow to them. Let us suppose there is a constituency of 100,000 electors, 20,000 adhering to the radical right, the same number to the radical left, 25,000 each to the parties of the moderate right and left, and 10,000 forming the balancing vote in the center. The adherents of the radical wings may if they choose vote for their own candidates in a second ballot as well as in the first but, as it is commonly put, they in reality "throw their votes away." If they wish to influence the election effectively they must vote for the moderate candidates of the right and left, in spite of the fact that radicals, especially those who advocate proportional representation, bitterly complain of this procedure, declaring that they cannot vote *for* a candidate of their liking but are reduced to voting *against* one whom they wish to see defeated. As between the moderate parties, the issue is decided by the 10,000 votes at the center.

The fact that the marginal elector can eliminate radical candidates does not mean that a political force outside parliament is denied the possibility of parliamentary influence and that it will therefore tend to pursue its aims with other means. The leaders of such groups may be embittered by their defeat and incline toward illegal activities, but most of their followers merely complain about having been enticed to "throw their votes away," and at the next opportunity they vote for a candidate who has a

¹ *Coningsby*, bk. 5, ch. 4.

greater chance of success. If in such a situation the leaders persist in their radicalism they will be excluded from political influence, although they may be able to gather around them a little esoteric group of sectarians (as for example the *Action Française*) in a common protest against things which they are powerless to change. But the more ambitious and active leaders are not likely to take this course. They will put success above principles, and be ready to pursue a moderate policy. We need look only at the careers of statesmen like Gambetta, Clemenceau, Millerand, Briand, MacDonald and Snowden in order to realize this, and even the present Hungarian Prime Minister Gömbös had to abandon his tiny race group before he could become the leader of the dominating party and attain his present office. This change of attitude may be termed a betrayal of party, in the sense that these leaders act contrary to their convictions, but most likely it will not be a betrayal for any length of time. As William James has demonstrated, conviction tends to follow action. A man's success is not helped if he remains unconvinced of the rightness of what he does, and therefore he will be inclined, at first subconsciously, to believe what he pretends to believe. In this way whoever is forced to frame a moderate policy over a long period of years is likely to become a moderate by conviction.

It is not hard to see what this means for the political life of a nation as a whole. A kind of common will is created. All the parties big enough to face government responsibility in one way or another must abandon whatever radical planks there are in their platforms. Since the right as well as the left has to resort to this policy there will be a certain degree of unanimity on fundamental issues of policy. Differences remain, as they always will in a democracy, but the point is that in a majority system the struggle for power always tends to smooth them out enough to make it possible for a minority to accept the policy of the majority.

One might easily conclude that, contrary to a widespread opinion, parliamentary government does not presuppose a homogene-

ity of the electorate, but instead creates it. It is not possible here to discuss in detail the implications of this rather far-reaching proposition; I hope to develop this point on another occasion. Suffice it to say that it is not difficult to see how very different the course of events must be as soon as proportional representation is introduced. The very essence of this latter system is to destroy the factors making for the elimination of political differences, as Victor Considérant and John Stuart Mill were forced to admit, at least implicitly. The elector is to vote for "ideas," no longer for persons, and every party is expected to "display its banner as openly as possible." It can do so now, since the marginal voter at the center has lost his dominating position. Nowhere is a struggle for an immediate majority required, and there is no longer need for the concessions accompanying it. Not only can all the existing differences of opinion be preserved but they will continue to develop and new ones will be created. Before very long every party will boast of a rigid creed, of a "world-outlook" of its own. Even a party so obviously based upon the foundation of economic interest as the Economic Party of the German Middle Classes will find a philosopher who will furnish the exact combination of politics and metaphysics required.

Rather late was the term "pluralism" invented for this state of affairs in Germany, but it characterizes well what happened and what was bound to happen. Every party, in the name of its "world-outlook," felt bound to regulate the activities of its members from the cradle to the grave. It became "totalitarian" in its aspirations. This meant that the political unity of the nation was undermined. Political ill-feeling could not but ensue, since a member of another party had to be regarded as an adherent of a different sect, the relationships between the parties taking on the form of a holy war. It is scarcely necessary to point out what the consequences were in the formation of governments. No party ever had, or even hoped for, a majority. After every election the ordeal of combining a couple of rigid parties into a coalition had to be faced by the two presidents of the Reich. Both before and after

the formation of the cabinet they treated each other as independent nations do. Their representatives in the cabinet, provided such parties really joined it and did not prefer to exist as a kind of permanent pressure group at its side, selling their votes on each occasion for the highest possible price, were not allowed to make binding agreements in the name of their party. They were subordinated to the nonentities who composed the executive committee of the party. Stresemann, as a member of various cabinets, suffered physically and mentally from this state of affairs, since he had to spend much of his time trying to reconcile utterly divergent points of view of the government and the members of the party committees. In fact his death occurred after hours of struggle to gain the assent of his own group to his policy. Under such conditions the cabinet was never more than a kind of "roof tree" above the different parties, and it could not be considered capable of assuming real political leadership.

It is not possible even to suggest all the more important points here.¹ A few of them, however, can be mentioned briefly. First, under modern conditions, antiparliamentarian parties of the type of National Socialists and Communists will arise. They play into each other's hands (although this has changed since the Communists accepted the United Front tactics in 1934). They combine their votes whenever a positive measure is considered by parliament. Every government has to face their opposition from the outset. This makes it clearer than anything else that proportional representation means rights without duties. The right to overthrow a government can be granted to parliament only because it is presupposed that the majority which votes against a particular combination is ready to replace it. The new government would then be better able to cooperate with parliament since it would command a majority which its predecessor lacked, and a stronger cabinet would take the place of a weak one. But if the

¹ Cf. Hermens, F. A., *Demokratie und Wahlrecht* (Paderborn 1933), and "L'Erreur Proportionnaliste et le Régime Parlementaire" in *Revue Politique et Parlementaire*, vol. 163 (June 1935) pp. 429-57.

antiparliamentarian right and left combine, they do so only in order to deny, not to affirm. The situation grows desperate as soon as these two parties combined approach a majority in parliament. Then all the remaining democratic parties, in order to constitute a majority, have to join together in what Otto Braun termed "a coalition of all reasonable men." Such a situation can quickly lead to the final destruction of the parliamentary system of government.

For in a democracy a legal opposition is as necessary as the government is; in fact the liberty of the elector consists largely in the possibility of voting for the opposition and only the exercise of this right can force the government to act according to the wishes of the people, always trying to anticipate them. On the other hand, the elector casts his ballot in favor of the opposition mainly in order to protest against the parties in power, not to approve what its opponents propose. If he is a German he says—or used to say—"Das muss anders werden," if he is a Frenchman he says, "Il faut que ça change." This natural and democratic tendency to vote against the government of the day is not destroyed but is enhanced when all the democratic parties have to combine. For the elector it is unpleasant to see socialists support the same governments that are supported by avowed monarchists of the type of the nationalist leader Count Westarp. Thus the electors have added reasons to vote for the opposition. If they do so the irreconcilable opponents of parliamentary government obtain the majority, as they did in the two German federal elections of 1932. The new "majority" cannot fulfil the duty of seeing that "the king's government is carried on." Failing to fulfil its duties it must forego its rights. No government can be expected to yield to its wishes but, on the other hand, if a democratic government tries to hold out against it, democracy must go beyond the bounds of legality and dictatorship of some kind or another is inevitable.

Moreover, under proportional representation a combination of factors tends to deprive the democratic parties of their demo-

cratic character as well as of an efficient leadership. The majority system is almost always combined with the single-member constituency. This relatively small constituency is the natural unit of political organization and, for the most part, it is too small to make it possible to afford a full-time secretary. The party is more or less ruled by local committees, working without compensation. The committee members are known to a relatively great number of electors, and therefore it is easy to control them. They are not likely to propose a candidate for parliamentary elections who does not meet with the approval of the rank and file of the party members. If they do, the latter have immediate means of retaliation in their hands, either voting for a candidate of their own or for the standard bearer of another party, or abstaining from voting altogether. Therefore the elector has as great an influence upon the election as is practically possible.

This same kind of democracy exists in the relations between simple deputies and the national leaders of the party. True, modern parties are able to control to a great extent the political conduct of those elected under their banner, and this must be the case, since it is the only means of securing unity of action. But in matters of party discipline the electors themselves constitute always the supreme tribunal. Whenever there is a weak or unpopular leader at the head of the party or whenever the electors feel that "their" member is unfairly treated, they are able to defeat any attempt of the party leaders to subject him to their dictation. Therefore the party leaders must be men of superior quality, able to enlist the voluntary cooperation of the average member of parliament; in other words, they must be truly democratic leaders.

Not so under proportional representation. The single member constituency is impossible, and big constituencies must be instituted. This gives the professional politician a much greater chance than he enjoyed heretofore. It is possible and even necessary to let a full-time secretary do the job of organizing and controlling the local machine. He is necessarily unknown to a relatively great

number of electors, as are also the committees in large constituencies. These people draw up the list of candidates for the elections. Dissident party members have no longer the easy method of correcting the situation by putting a candidate of their own into the field; they must vote for one of the lists presented by the existing parties, which all suffer more or less from the same defects. The elector does not know the candidates and the candidates do not know the elector. Small wonder then that the elector does not think highly of this democracy tempered by the influence of the professional secretary—popularly called “Bonze” in Germany—and prefers an open dictatorship to a denatured democracy.

But also the relationship between the rank and file of the members of parliament and their supreme leaders ceases to be democratic. The party leaders no longer have to be truly democratic political leaders; it is sufficient if they are able to control the complicated machinery of organization. To cite a practical example, the political qualities of Hugenberg never recommended him for an outstanding place in politics. He was just a successful business man and it is too well known that the modern business man behaves rather clumsily in politics. But Hugenberg's money and his skill as an organizer enabled him to capture the machine of the German Nationalist party. He and his henchmen were then able to draw up the list of the candidates for parliamentary elections as they liked. In 1930 they were able to deprive of their seats more than half the members of the parliamentary group elected in 1928. They sent a letter to the old party leader, Count Westarp, simply notifying him that his *Landesverband* would not place his name on the list any more. The situation would have been entirely different if Westarp and his followers had had the protection of single member constituencies. In order to remove them it would have been necessary to wage a fight that would have been long and hard, for the old members enjoyed the loyalty of their electors, especially of those who did not belong to the German Nationalist party. This task would have been so difficult that it seems improbable that it would have been attempted very

often, especially by a man like Hugenberg, whose affiliation with a party of conservative tendencies was of rather recent origin.

Under the majority system a man desiring election must be a leader and a fighter. Often a ruthless competition prevails, eliminating all those who do not know how to fight. This means first of all that the young men get a chance. The party leaders will naturally be inclined to entrust them with the task of conquering a seat; if not, the young men, combining their forces, will wage a contest together. Their vigor and enthusiasm often give them a victory which seems impossible beforehand. This process too is different under proportional representation, since the people at the top of the list reappoint each other, regardless of their efficiency, often ridiculing the efforts of the young. The young aspirants to office then flock naturally into the radical parties which give them a chance, thus making the latter's victory only the more sure. Hence it follows that the ideal of democracy is defended by white-haired old men, and it becomes almost impossible not to regard democracy as a thing belonging to the past. Moreover, the first places on the list of a democratic party must be distributed between a number of organized interests—trade unions of the different crafts and organizations of peasants, of artisans, of civil servants and the like. The candidates so nominated may be totally unsuited for politics and may even be of questionable integrity (all the members of the parliamentary group of the German Center party for example, who were later sentenced for corruption, were such representatives of professional groups, forced upon the party). Sometimes the only justification for such candidates is that their organizations want to get rid of them, so as to save salary expenses. In parliament, as Max Weber predicted in 1919,¹ they excel mainly in their lack of intelligence, and they are especially incapable of becoming efficient cabinet members. Needless to say, these men, having entered parliament as the result of a bargain, are neither willing nor able to fight. Their inglorious submission to the National Socialists in 1933 proved

¹ *Gesammelte politische Schriften* (Munich 1921) p. 391.

this to a degree which exceeded even the expectations of those who had been pointing to their defects for years.

It is surprising to note that a number of writers who had nothing but their reflection to guide them about the probable effects of proportional representation¹ more or less foresaw this outcome. But in the light of actual experience we are able to understand still more clearly the implications of proportional representation, especially in regard to the multiplication of parties and the formation of government. The development of political parties is influenced, or is supposed to be influenced, by various factors, and among these the electoral system is of great importance. Even qualified supporters of proportional representation, such as the leaders of the Proportional Representation Society in England, would be far from denying this. It will be very revealing then to examine the party structure in various countries, with the electoral system regarded as an independent variable and all other factors remaining unchanged.

It is not possible within the scope of this article to mention more than a few illustrations. Let us consider first a country which still retains the majority system, and examine what would probably have happened if proportional representation along the German model had been introduced. Nowhere is the answer clearer than in England, where the two-party system would long since have been forgotten. When in 1886 Joseph Chamberlain left the Liberal party this former Republican and Municipal Socialist immediately allied himself with the Conservatives. He knew that a third party might poll a great number of votes but would be defeated in almost all constituencies. On the other hand, the Conservatives were glad to have him since the additional vote furnished by the Liberal-Unionists secured victory for them in the country as a whole. Under proportional representa-

¹ Cf. Bagehot, Walter, *The English Constitution* (London 1867) pp. 184 ff.; Schäffle, Albert, *Deutsche Kern- und Streitfragen*, Neue Folge (Berlin 1895) pp. 111 ff.; MacDonald, Ramsay, *Socialism and Government* (London 1909) vol. 1, pp. 78 ff., 127 ff.; Esmein-Néard, *Droit Constitutionnel Français et Comparé* (Paris 1927) vol. 1, pp. 339 ff., vol. 2, pp. 327 ff.

tion Joseph Chamberlain most probably would have gone down in history as the founder of a new party. Similar reasoning applies to the temporary disappearance of the two-party system as a result of the rise of the Labour party. As long as Labour was not a significant factor it had, as H. M. Hyndman, the leader of the leftist Social Democratic Federation, painfully experienced, either to ally itself with the Liberals or to renounce the winning of seats in the House of Commons. Only the moderate Labour candidates won the help of the Liberal vote of their constituencies. On the other hand, many Liberals needed the Labour vote, with the result that the representatives of both parties were elected by a combined Liberal-Labour vote, which forced them to cooperate in Parliament. After the war the Liberals had to follow the leadership of Labour in their common opposition to the Conservatives and in support of the two governments formed by MacDonald in 1924 and 1929. The fusion of the remaining Liberals with the Labour party is now well under way, at any rate in so far as the Liberal voters are concerned, who have become tired of waiting for candidates without a chance. Even those who a couple of years ago wrote about the end of the two-party system in England admit, since the recent general elections, that it will soon be restored to its old vigor.

But the Liberals know well that it is the majority system which crushes them, and that the introduction of proportional representation would save their party as it saved the Belgian Liberals in 1899.¹ Therefore they cling to an electoral system vigorously condemned by their former leaders such as Bagehot, Bright and Gladstone. If proportional representation of the German kind were introduced it would not be only the Liberals, however, who would benefit. The Communists, now represented by one member only, would immediately secure a little group, as their polls of 1929 and 1931 prove.² The same applies to Sir Oswald Mosley's

¹ Barthélemy, Joseph, *L'Organisation du Suffrage et l'Expérience Belge* (Paris 1912) pp. 615-17.

² Cf. *Demokratie und Wahlrecht*, cited above, pp. 78 ff.

British Union of Fascist Parties,¹ which did not present any candidates in 1935 but obtained appreciable percentages of the votes cast in 1931. This party is more alive than Hitler's National Socialists were as late as 1928, as its successful mass meetings and demonstrations show. Probably proportional representation would mean a split in the ranks of the Conservatives as well as in those of Labour. The number of parties would increase and no one party would have a majority in Parliament. All the factors which make parliamentary government run relatively smoothly in Great Britain would disappear at once.

Only a few words about the United States, where it cannot be doubted that some of the third parties would have been successful under proportional representation. Let us confine our attention to the La Follette coalition of 1924. The former governor of Wisconsin polled 16.2 per cent of the votes cast, notwithstanding the fact that every elector knew that voting for him meant "throwing his vote away." But his party received the presidential vote only from Wisconsin, giving them 2.4 per cent of the total. This meant an overwhelming and final defeat of their aspirations. Hitler's sensational success in the elections of September 1930 gave him 18.3 per cent of the votes. Proportional representation allowed him a corresponding number of seats in the Reichstag, the Communists helped him to paralyze the government of Brüning and the world economic crisis did the rest. A little more than two years later the corporal of Braunau was the master of Germany.

It is clear that the majorities which governed France after the war—or would have been able to do so—could not have existed under an "integral" system of proportional representation.² As regards the chances for the various parties under different electoral systems the Communist party requires especial attention. In 1928 it had 14 seats instead of the 68 it would have had under

¹ *Ibid.*, pp. 83-84.

² Cf. Brecht, Arnold, "Constitutions and Leadership" in *Social Research*, vol. 1 (August 1934), p. 285.

proportional representation; in 1932 it had 10 instead of 50. The Communists are more strongly represented in the new Chamber, but only because of their cooperation with the other parties of the left, which entails a complete change in their political attitude and almost destroys their "radical" character. Even now the moderate Radical party has more seats than the Communists, and with fewer votes. The "Parti Agraire et Paysan Français," which polled high percentages in 1932 but did not obtain any seat, has been at a similar disadvantage and the same holds true of some other groups. Thus under proportional representation the number of parties would have been considerably increased. There are some French students who think that at least these parties created by proportional representation would have been well organized. They certainly would, but the result would have been an undermining of their democratic character and a doctrinal petrification which would have engendered all the evils of political pluralism experienced by Germany in the last years of the republic. It is doubtful whether in these circumstances parliamentary government could have persisted in France.

When in 1918 a decree of the council of people's commissioners introduced proportional representation in Germany they realized mechanically one of the old demands made by the Socialists when they were in opposition, without knowing that it crippled the victory of the Socialist party, which had now come to power. Later the rigidity of the constitution and the vested interests of those who had no chance to be reelected under a majority system made it impossible to abolish proportional representation. Nevertheless some members of all republican parties led a bitter and relentless fight against it—in the Socialist party Mierendorf, in the Democratic party Naumann and Heuss, in the Center party Wirth, Teipel and Schauff. Never had a fight been made more difficult by those whom it was devised to benefit, but it could not be otherwise. The traditional Socialists paid little attention to the matter; to them it was merely a problem of "formal" sociology, making no allowance for the influence of social stratifica-

tion upon politics, which they considered preponderant. The democratic wing of the students of public law—there was no political science in German universities—was dominated by Kelsen's system of "pure law," which relinquished all regard for the practical working of political institutions. Such a theory was the typical by-product not of a democratic era but of monarchistic and bureaucratic prewar Germany and Austria, which did not wish their subjects to analyze political institutions too closely.¹ Thus not only the general public but also the political leaders completely ignored what proportional representation was likely to mean for the country. This attitude is indeed a contrast with that of Switzerland, Belgium, France, England and even Greece, where proportional representation has long been an eagerly debated issue.

The political history of the Weimar republic falls into three periods: the frustration of the Socialist victory in the National Assembly by proportional representation; the period of "pluralistic" stagnation between 1920 and the elections of 1930; and the political revolution by which this stagnation was overcome in 1930-33. In 1919 the Majority Socialists obtained 37.9 per cent of the votes cast, the Independent Socialists 7.6 per cent. The latter, under a majority system, would have been more or less induced to combine their forces with the former, since such a small radical group is not able to find the allies which it needs for electoral success. Moreover, a Socialist victory would have appeared probable in a great number of constituencies, and the magnetic power of success would have rallied to the Socialists a number of voters who, under given conditions, supported other parties. Thus there can be no doubt that the majority system would have resulted in a clear Socialist majority,² and the history of parliamentary government in Germany would have opened with a homogeneous government of one party, commanding a majority in parliament. To be sure, many a student has been pleased that this did not

¹ Cf. Smend, R., *Verfassung und Verfassungsrecht* (Munich 1928) p. 129.

² Cf. Schauff, Johannes, *Neues Wahlrecht* (Berlin, 1929) p. 150.

happen, assuming that it would have led to civil war, since the Socialists might have resorted to radical measures. But that is far from certain, since the marginal elector would have made his influence felt even in these abnormal circumstances. On the whole, the Socialist party would probably have been moderate, as in fact it was during the time before the election of the National Assembly, when it had complete control of the government. At the elections the strategic position of the left wing would have been less favorable than that of the moderate party members, and it is probable that most of the candidates of the Independents would have failed. Even if the radicals had exercised a decisive influence it would not have meant the destruction of German democracy. The party, enjoying absolute power, would have had to shoulder undivided responsibility. Socialist experiments would soon have complicated the economic situation, and at the first opportunity the electors would have fled from the Socialist party as they fled from the British Labour party in 1931. As a result a clear bourgeois majority would have been possible, a majority freed from the necessity to compromise on the fundamental issues of economic policy and able to pursue the policy it desired. In fact an alternation in power between the Socialists and the bourgeois parties would have been preferable to the absence of clear decision and the diffusion of responsibility which later characterized German democracy.

The period between 1920 and 1930 was marked first by the multiplication of parties. The Communists, the different race parties, the Peasant's party, the Revaluation party, the Economic Party of the German Middle Classes, the Christian Social People's Service, made their appearance. I need not dwell at any length upon the chances which the last four groups would have enjoyed under a majority system. In the Peasant's party and the Christian Social People's Service a few isolated candidates, who would have had to become *Hospitanten* in the parliamentary groups of other parties, might have been elected. The votes in all the other constituencies would have been lost, and the founding of these parties

would probably not have seemed an attractive prospect. But they enormously complicated the political development of the German republic.

The effect which proportional representation had upon the development of the parties of the extreme left and right was even more striking. Until 1930 the Communists were stronger than their rivals at the other political pole, the number of their seats in the Reichstag varying between 45 and 62. Not only was their voting strength a serious obstacle for every government, but they also resorted to obstructionist methods, which varied from the use of toy noise-makers to actual physical violence. To be sure, they would have obtained a certain number of seats under a majority system too, but they were strong enough to fight seriously for a majority only in a restricted number of industrial areas and in some parts of Berlin. In this respect, as in others, their position was strikingly similar to that of the French Communists before the formation of the United Front. The majority system gave the French Communists about one fifth of what an "integral" system of proportional representation would have granted them. About the same thing would have happened in Germany, and it is seriously to be doubted whether the Communists would ever have been able to conquer 15 seats, the minimum required for recognition as a parliamentary group and a share in the parliamentary committees.¹

Nothing would have done more to discourage the success of the National Socialists than a restricted number of Communists in the Reichstag; the party of Hitler would have been unable to claim that it had to save Germany from the peril of Bolshevism. But it is interesting to note that at least until 1930 the electoral position of the National Socialists would, under a majority system, have been weaker than that of the Communists. In the beginning the number of votes cast for them was much smaller, and even later they suffered from the great disadvantage of being scattered all over the country, without local strongholds considerable

¹ Cf. *ibid.*, pp. 148-49.

² Cf.
(Marci
³ Cf. 1
⁴ Cf. 1

enough to give them a chance of gaining a majority. It may be that in May 1924 some of their candidates would have been successful, but they certainly would have lost their seats in December 1924 and would not have been able to capture new ones in 1928.¹ Everywhere they had to face the competition of parties stronger and in a more favorable position than they were themselves; these rivals were less radical and therefore better able to win allies for a second ballot. The question may even be asked whether they would not have lost almost all their seats if, instead of the automatic system adopted in 1920, the system of d'Hondt, which was utilized for the elections of the National Assembly, had been in force.² I know of no one who has glanced even superficially at detailed electoral statistics and does not admit that under the majority system there would have been no chance whatever for a National Socialist candidate. It is possible that the party could not have withstood a continued failure to gain seats in the main parliaments and would have been dissolved in short order. At any rate, its candidates would have had a difficult start in 1930 and would certainly not have obtained as many votes as they actually did.

It is not possible to enter upon a detailed discussion of the change in the structure of the German parties between 1920 and 1930³ nor of the difficulties in the formation of governments.⁴ Instead let us discuss briefly the results of the elections of September 1930. The outcome of these elections was, in a large measure, due to the reaction of the electorate against the deplorable state of the government of the country, and not only to the damage done by the world economic crisis. Naturally the crisis greatly influenced politics everywhere, but wherever there was a majority system in force the discontented electors could not but vote for the relatively moderate opposition parties, which alone

¹ *Demokratie und Wahlrecht*, cited above, pp. 127-28.

² Cf. Grebe, "Wahlkreis und Mandatsverteilung" in *Allgemeine Rundschau* (March 23, 1929).

³ Cf. *Demokratie und Wahlrecht*, pp. 130-42.

⁴ Cf. Brecht, *op. cit.*, pp. 279-81.

could be successful under the conditions created by the electoral law. A political landslide occurred in France as well as in England and in the United States, but the electors did not wish to waste their votes by giving them to a radical candidate who was without a chance of success, and there is no reason to assume that they would have behaved differently in Germany. But let it be noted that even on September 14, 1930, with the vote remaining the same, the majority system would have given the republican parties in Germany a secure and overwhelming victory. In order to clarify this point I have divided the territory of the Reich into 400 single-member constituencies of approximately equal size. The result is startling. Nowhere did the National Socialists obtain the majority of the votes cast, and nowhere even 40 per cent. The relative majority was gained by the Socialists in 186 constituencies, by the Center party in 81, by the Bavarian People's party in 29, by the Communists in 41 and by the National Socialists in 48. It must be added that the National Socialists, and to a lesser degree the Communists, received their relative majorities with a comparatively small number of votes. Naturally the result would have been complicated by the redistribution of the votes cast for parties which had no chance under a majority system. But there are certain methods of determining approximately the direction of this redistribution, and from whatever angle we may view the figures we cannot but admit that the Socialists and the Center party would have been sure of a majority.¹ When Brüning later faced the problem of governing with the same Reichstag as elected according to the rules of the German electoral system, he needed 11 parties in order to have a majority, and this majority never "supported" but only "tolerated" him in his struggle against the National Socialists. At any rate, at the end of 1930 the two antiparliamentarian parties had reached a strength which made the *Koalition aller Vernünftigen* inevitable, and this could not but lead to a further increase in the radical vote and the destruction of the foundations of parliamentary gov-

¹ *Demokratie und Wahlrecht*, pp. 149-65.

ernment in 1932, when the elections resulted in a combined majority of National Socialists and Communists.

I therefore maintain that proportional representation was the *conditio sine qua non* for the breakdown of the German Republic, which as late as the summer of 1930 seemed to be well established, having overcome the opposition of the greater part of its monarchistic opponents who tried to inaugurate a period of "Tory democracy." I would not term proportional representation a cause, and I am far from maintaining that it was the only cause, but the difference between a cause and an essential condition is not very great. Nor is it possible here to enter upon a detailed discussion of the other factors contributing to the downfall of the republic. They are sometimes given an exaggerated importance, which obscures the part played by proportional representation. It is frequently claimed, for example, that the German democracy died as a result of the intrigues of the army and of the president of the Reich and those who surrounded him. But it must be borne in mind that there are intrigues and intriguers in all countries and at all times. The point is that wherever parliamentary government exists and the country is civilized enough to be able to give its institutions a real meaning, intrigues can never play a decisive part. The outcome of the elections decides the political group which is to form the government. There is room for decision by intrigue only in so far as there is no clear majority, in other words, the will of the people can be falsified or another will substituted for it only if, and in so far as, it is not clear. There can be no democracy if the electorate cannot express clearly and positively what it wants.

A similar reasoning applies to the position of the president. It is true that it was a mistake to establish in Germany a mixture of the American system of an independent presidency and the parliamentary system of government, since between the two systems no compromise whatever is possible; practical political life always makes it necessary to travel one way or the other. Notwithstanding the popular election of the president Germany soon

developed all the essential features of the parliamentary system of government. The requirement of the countersignature and of parliamentary confidence for the cabinet made this inevitable. President Ebert and, before 1930, President Hindenburg (it was a bitter task for the latter to consent to the dismissal of von Seeckt as commander of the Reichswehr) had to obey the will of the majority. In fact, a president is powerless if he has to face the obstruction of a majority in parliament. The French Chamber overthrew Jules Grévy in 1887 and Millerand in 1924 by refusing cooperation with them; in Norway the same strike of the majority, in 1905, made it impossible for the descendants of Bernadotte to rule the country any longer. In Germany the president might have dissolved the parliament, as MacMahon did in 1877, but if a majority hostile to him had been elected it would have been tantamount to a plebiscite against him, annulling the prestige conferred upon him by his previous election by the people, and he would have had to resign. The reason why at a later date President Hindenburg gained such great power in Germany was that there was no clear parliamentary majority. He had to dissolve the Reichstag after he dismissed Brüning, but there was no German Gambetta who might have pointed out the "sovereign voice of the people," to which the president would have to submit. Of a certainty, the people voted overwhelmingly against von Papen and they finally succeeded in ousting him. But they did not offer a democratic successor, supported by a majority, and therefore there was no legal source of authority left but the president. Only after this had been abundantly demonstrated was the road finally free to intrigues, although some writers would have us believe that intrigue governed the fate of the republic from the outset, as if the German people were invariably doomed to be the victims of intrigues, the only question being who is the successful intriguer.

I need not state again¹ that the evils of proportional representation continued to exist even after the fall of the republic. National

¹ Cf. Brecht, *op. cit.*, p. 276.

Socialists did not and do not meet with more serious resistance because nobody believes in a workable alternative for their government. Even convinced democrats are ashamed of the manner in which the *reductio ad absurdum* of parliamentary government occurred in 1932. It is not only politically but morally difficult for them to struggle for a new German democracy—unless they know that it was not democracy that broke down, but a system which did not have much more in common with democracy than the name, and which could not but degenerate into anarchy as soon as it was subjected to the first great test, a test which, be it repeated, truly democratic institutions would have passed in Germany as they did in other countries. Many of those in other countries who have despaired of democracy since the breakdown of the Weimar republic would change their minds if they knew the true reasons for the course of events in Germany.

(*The Catholic University of America*)

POTENTIALITIES OF AGRICULTURAL REFORM IN THE SOUTH

BY KARL BRANDT

I

APPROXIMATELY 27 million people, 22.2 per cent of the population of the United States, live in the South.¹ Of these 19 million, or 70 per cent, live in rural communities (13 million on farms). In eight southeastern states no less than 12 per cent of the population 21 years of age and over are illiterates, while two other states count more than 18 per cent illiterates. In 1935 agriculture in the South comprised 2,714,000 farms or 40 per cent of all the farms of the United States, with nearly 2,000,000 white and 745,000 colored farm operators; 317,000,000 acres of all land were in farms, amounting to 30 per cent of the total farm land of the United States, and of this acreage the share of Texas and Oklahoma alone was 17 per cent. More than 1,607,000 farms, or nearly 60 per cent, are operated by tenants, 655,000 of whom are sharecroppers. In Georgia the number of croppers declined in the period from 1930 to 1935 from 101,000 to 80,000, in Arkansas from 75,000 to 66,000, in Oklahoma from 21,000 to 14,000, in Texas from 105,000 to 76,000, while in the other states they held

¹ In this discussion the term South means only the ten cotton belt states: North Carolina, South Carolina, Georgia, Alabama, Mississippi, Tennessee, Louisiana, Arkansas, Oklahoma and Texas. In addition I use Howard W. Odum's term Southeast, contained in his unexcelled treasury of up-to-date material in *Southern Regions of the United States* (Chapel Hill 1936). The Southeast covers all but Oklahoma and Texas in the cotton belt "South," plus Virginia, Kentucky and Florida—altogether eleven states. In my usage of South, Florida is omitted because of its peculiar character as an especially favored subtropical fruit and vegetable territory and a winter resort. I omit Virginia and Kentucky because they are not cotton states and in many respects are not typically southern. Oklahoma and Texas are included although they represent a certain unit which is the winning competitor against the eight other principal southeastern cotton states and although they enjoy the benefits of heavy industrial investment through the oil industry.

their own or slightly increased. The value of farm land and buildings operated by all kinds of tenants declined from 4.2 billion dollars in 1930 to 2.8 billion in 1935, a fall of 35 per cent, while the same values for farms operated by owners dropped only 25 per cent from 4.7 billion dollars to 3.5 billion.

Among the ten states of the South the percentage of farms operating with tractors ranges from 11.4 in Oklahoma down to 1.5 in Mississippi, while the percentage of farms supplied with electric light ranges from 5.4 in North Carolina down to 1.5 in Mississippi. The value of all implements and machinery varies from \$455 in Oklahoma and \$368 in Texas down to less than \$200 in all other states of the South, while no less than 11 other states of the nation show considerably more than \$1,000 values and none of them such low investment as in the South. Between 1.1 and 3.1 per cent of all farms in the South are supplied with electric current.

In 1929 the per capita personal income in the Southeast was as low as \$183 for the farm population and \$535 for the non-farm population.¹ While in 1929 the Southeast had 13.6 per cent of the industrial establishments of the nation and 13.2 per cent of the wage earners, its industrial production was only 8.4 per cent of the total for the United States, or \$844 per wage earner compared with \$1,364 for the Northeast and \$1,447 for the middle states.

The Southeast produces the following percentages of the national output of major farm commodities: 60 per cent of the cotton, 85 per cent of the tobacco, 15 per cent of the corn, 12 per cent of the beef cattle, 12 per cent of the milk, 13 per cent of the butter, 15 per cent of the eggs and 8 per cent of the hay crop. The Southeast's share of the nation's livestock herd is 4 per cent of sheep and lambs, 9 per cent of horses and colts, 52 per cent of mules and mule colts, 16 per cent of milch cows and heifers, 13 per cent of all cattle and calves and 16 per cent of all hogs and pigs. These figures, however, do not accurately indicate the Southeast's share in animals and animal products because this is more than a question of numbers. In the Southeast the yield per animal is con-

¹Odom, *op. cit.*, p. 46. All figures relating to the "Southeast" are quoted from Odum.

siderably lower than for the whole country. It has been estimated that in the Southeast the present production of eggs would have to be raised by 90 per cent to 374 per cent to reach the production required for maintaining minimum dietary standards; the figures are for Florida 341, for Georgia 313, for Louisiana 312, for North Carolina 250. The same estimate for dairy products shows that minimum dietary standards would require increases ranging between 30 and 403 per cent of the present production. The total dairy production of the Southeast was in 1929 less than 1.2 billion gallons, while the minimum dietary requirements are estimated at 2.5 billion gallons.

Paradoxical as the situation appears, when a detailed regional study is undertaken there can hardly be any doubt of the general poverty of this large and thickly settled, predominantly rural area, comprising almost a third of America's farm population. In fact all the statistical measurements and indicators merely confirm what two eyes can perceive in any average plantation or cotton farm in the South.

II

Cotton culture is still today the main feature of the rural economy of the South. In 1933 the gross income of agriculture in the ten principal cotton states amounted to about 1.2 billion dollars from all crops (400 million dollars being earned in Texas and Oklahoma alone), and of this nearly 60 per cent was derived from cotton. Only 474 million dollars came from animal production (and here the share of Texas and Oklahoma was 210.2 million). It is cotton culture that gives the clue to the main causes for the poverty and disgraceful living conditions of millions of citizens in the wealthiest nation on earth.

Cotton requires a rich deep soil, a warm and bright climate, sufficient moisture while growing, and rather dry weather for harvesting time. It is fairly generally assumed that among all nations the United States possesses the greatest treasure of land fit for cotton culture, and that therefore even in the future this coun-

try will be able to maintain its natural monopoly of supplying the world textile industry with its major requirements of cheap medium grade cotton. But it is no longer true that the cotton belt has at its command an inexhaustible abundance of good fertile soil which gives a natural advantage to the American cotton farmer. The South was originally forest land, and relief maps show a wrinkled land surface with a closely knit system of creeks and rivers, covering a mosaic of thousands of inclined planes and gradients; the only exceptions are the flat and rich alluvial river bottoms of the Mississippi, the Arkansas River and the Red River. Precipitation in the Southeast comes mainly as summer rain in the form of thunderstorms and sudden, almost subtropical downpours. With the prevailing topography, especially in all the uplands, this kind of precipitation washes off the topsoil as soon as there is any cultivation of hoe-crops, like cotton, corn and tobacco, which keep the soil bare and loose. Experts have estimated that of all land in the United States that is devastated, severely impoverished or denuded of its top soil, 61 per cent lies in the ten cotton belt states. Erosion and soil depletion through cash crop monoculture have disposed of the original first soil horizon in a large part of the Southeast. Since the destruction of forests this process has gone on progressively on the steep slopes, even on most of the moderate slopes. But even a drastic reform of farming, with diversified crops and preference given to soil-conserving plants like grasses, clovers and alfalfa, would not restore the old horizon within a brief period. Today most of the cultivation stands on second horizons, which also are being slowly eroded and depleted. They are being carried away downstream and eventually the sterile third horizons will appear at the surface.

That cotton cultivation did not collapse under the rapidly declining yields per acre is due to the fertilizer industries. They replace every year a good deal of the necessary plant food, of which immense bonanzas have been swept into the Gulf of Mexico or the Atlantic. In 1929 the Southeast consumed 67 per cent by weight and 60 per cent by value of all fertilizer used in the United States.

The Southeast earns one fifth of the national agricultural income and carries three fifths of the fertilizer bill. Among the estimated costs of farm operation in the Southeast fertilizer accounts for 41 per cent, feed for 27 per cent and labor for 32 per cent. How far the cotton belt east of the Mississippi depends on commercial fertilizer is indicated by the low yield of corn, which does not get much fertilizer. The average yield per acre is only 15 bushels in the Southeast, while the average for the entire country is 28 bushels; the Northeast averages 43. At present an increasing use of fertilizer is being considered as a method of soil conservation, but Dutch and German experience and research have proved that the indispensable "humus" content of soils may not only be used but also easily exhausted by heavy mechanical cultivation combined with intensive use of commercial fertilizers. On sterile soils without bacteria-flora plants are unable to make any use of fertilizer. A mixed farming system with large manure production has the capacity to enrich the soil continuously, but with monoculture and extensive use of commercial fertilizers only a cautious humus economy with green manure and legumes can avoid the impoverishment of soils.

With due appreciation for the great and successful efforts of the United States Department of Agriculture in its latest soil conservation policy, I cannot but doubt that the effects of a long history of soil depletion can be reversed within a few years. Decades of reforestation and adjustments in farming will be needed before the threat of further destruction of soil resources is definitely conquered. But it would also be one-sided to draw from these considerations the conclusion that the United States has lost much of its natural resources in the Southeast. The situation would be desperate if the South had to go on as before, producing cotton on these eroded soils, but this is by no means necessary. A shift to mixed farming will make possible not only a utilization of these soils but their gradual repair. Switzerland, Germany and Denmark offer many examples of how under similar conditions the destructive natural forces can be checked in large territories and how

ad
TH
in
til
S
tov
tob
rec
tur
sca
cul
per
the
120
16,
eac
3.3
167
toe
T
is t
in t
Re
mar
chil
duc
of
nec
ton
cost
join
type
U.
in th
Febr

adequate methods of farming can slowly build up depleted soils. Thus in the hillside patches that carry a major part of agriculture in the South mixed farming means increasing assets in soil fertility, the main means of production.

Soil, topography and climate are not the only factors operating toward a shift of the center of gravity of cotton culture. Except for tobacco, vegetables and certain fruit cultures cotton production requires more labor than any other type of cultivation in agriculture, because the mechanization of cultivating and harvesting has scarcely touched this hoe-crop cotton. The Department of Agriculture has estimated¹ the average hours of man labor required per acre for growing, harvesting and marketing specified crops in the ten-year period 1923-32 as follows: tobacco 400, sweet potatoes 120, cotton 85, potatoes 80, peanuts 67, corn 37, wheat 20, all hay 16, and oats 15. The number of hours actually used in producing each crop in the ten cotton states is estimated as follows: cotton 3,353,000,000, corn 955,000,000, tobacco 368,000,000, wheat 167,000,000, all hay 100,000,000, peanuts 99,000,000, sweet potatoes 66,000,000, potatoes 26,000,000, and oats 20,000,000.

The enormous number of man hours used in cotton production is to be explained by the fact that east of the Mississippi, and also in the bottom lands of the Mississippi, the Arkansas River and the Red River, the major part of the cotton crop is still planted with man and mule, and chopped and harvested by men, women and children by hand in the old manner. This obsolete way of production on plantations is one of the main causes of the poverty of the Southeast. The same methods of production would not necessarily be inefficient, however, on a family farm growing cotton within a rotation of diversified crops, because instead of the cost account of a specialized one-crop production it would have a joint production, seeking optimal relations between the various types of culture. The mule can still be a modern type of traction

¹ U. S. Dept. of Agriculture, Bureau of Agricultural Economics, *Cotton Production in the United States* (pt. 2 of *The World Cotton Situation*), (Washington, D. C., February 1936) p. 59.

on a family farm, but with hired labor on a plantation it is obsolete because it keeps wages down in competition with tractor labor. It would lead too far to examine the intricate differences between tractor and draft animals in large scale farming and mixed family farming, but I should like to say in passing that in all west European countries large scale farms with wheat and sugar beet production have been able to hold their own in competition with small family farms only when they used labor-saving machinery like tractors, but it is not necessary for the family farms to adopt a similar technique. Nevertheless the standard of living of the laborers on the large estates is much lower than that of the family farmers.

The obsolescence of the method of production on plantations is made worse by the fact that cotton has a very seasonal labor requirement. In a humid climate bolls do not all mature at the same time, and thus the selective human eye is needed and the same field must be picked repeatedly as bolls mature. The bad effect of such typically seasonal labor is especially severe when the income of the farm family is nearly exclusively based on the returns of that single crop, because for the rest of the year labor is almost wholly idle. A cotton acreage that absorbs the family's entire labor capacity at the picking season makes it almost impossible to cultivate other crops, even if they have other harvesting times. Therefore in all European family farms the dominating principle of management is a diversification of crops and animals so that an almost equal labor load the year round can be obtained. In the rotation hoe-crops are patched in moderate acreage. The South suffers especially from its absolute neglect of this principle in cotton culture.

Human labor yields so little physical output in non-mechanized cotton culture that even exceptional prices for cotton cannot raise the income to any satisfactory level. As long as a whole family toils on 12 to 15 or even 20 acres of cotton to produce from 6 to 12 bales (500 lbs.) a price of 12 cents per pound means an annual gross cash income of only \$360 to \$720. From this gross income

the sharecropper has to deduct an average of 50 per cent, all other farmers a smaller part, for costs other than labor plus interest and taxes. Any attempt to raise the standard of living for the cotton farmer and to revive the South as a whole has to begin with the improvement of the productivity of human labor. Two approaches are possible.

One is the mechanization of cotton cultivation. This, however, can be done only under climatic and topographical conditions which prevail mainly in the high plains section of Texas and in parts of Oklahoma. The cotton report by the Department of Agriculture, cited above, estimates that in 1929 in the upper Piedmont region 112 man hours plus 46 horse hours at a cost of \$20.64 were used per acre, while in Texas only 25 man hours and 24 horse hours at a cost of \$9.48 were the normal average. Although the yield per acre is lower in Texas the account ends with costs per pound of lint, excluding rent and interest, of \$.105 in the Piedmont lands and \$.070 in Texas. Texas and Oklahoma are the cotton country par excellence because the dryer climate (21 inches of rainfall) requires less weeding and, since the bolls mature almost equally, allows mechanical devices for harvesting, like the sled or the stripper, and because the land is less exposed to erosion and soil depletion and the consequent fertility of the soil makes no fertilizer necessary at present. If the mechanical cotton picker is developed to perfection, which apparently is not yet the case, Texas will be the main field for its application. With mechanization of work during growth, with multiple row equipment and with easier harvesting even when the bolls have to be picked by hand, the cotton farmer in the high lands of Texas handles from 150 to 200 acres in crops, of which from 75 to over 150 acres is in cotton, with little or no additional labor before the harvest; in the eastern cotton belt an operator with additional family labor equivalent to one man usually handles from 25 to 40 acres in crops, of which 12 to 18 acres may be in cotton. These figures indicate the future trend. Texas and Oklahoma will gain considerably in the cotton field. It may well be that their progressive technique, with

the larger size of their farms, will lift the evil of poverty in cotton labor. But since these considerations are based on a long run estimate a certain restraint must be placed on this optimism. The high lands of Texas are better protected against soil erosion and soil depletion because of the limited rainfall and the more closed topography. Even here, however, production stands partly on a wasting asset, which is new soil with virgin fertility. It may be assumed that the consumption of fertilizer will slowly increase and the necessity will arise to diversify production, at least with green manure crops of legumes. This would raise costs of production somewhat. But even with this reservation, Texas and Oklahoma are the most promising cotton land of the future for large scale production.

The other possibility of improving the productivity of labor consists mainly in reducing the cotton acreage per farm and balancing the labor load by diversification, giving preference to other labor-intensive crops and combining animal production with its 365 day season. That the western regions of the cotton belt will take the lead in raising the income for the cotton farmer is a fairly safe guess, but that the thoroughgoing reform that is necessary for the majority of the Southeast will be brought about automatically by economic pressure is more than doubtful. It seems much more probable that the way of minimum resistance will be the further transfer of the burden upon the shoulders of the passive masses of the sharecroppers. Increasing misery and impoverishment of the sharecroppers do not bring about any forces that make for improvement. At present a large proportion of them lives on relief.

Since the last depression the South has lost a large part of its employment capacity in cotton culture through the loss of much of its exports. Compared with the five-year period from 1928-32 the acreage in cotton has now been reduced nearly 30 per cent, which means approximately 1 million man hours less than the estimated average during the preceding period.¹ The average

¹*Ibid.*, p. 60.

annual farm income from cotton production is estimated at \$1,463,000,000 during the five years prior to 1930-31, while the 1935-36 figure was \$877,000,000.¹ Although the purchasing power of the farm population has risen almost 100 per cent above the low at the bottom of the depression, the South is far from having regained even its pre-depression conditions, which after all were identical with the utmost poverty. If the United States is to continue to supply the world with its major requirements of cotton, prices must be kept at levels which can compete with low wage countries like India, Egypt and Brazil. This would be possible only through a superior type of mechanized production in the areas fit for it, or through maintaining sweated labor conditions in the old style of cotton farming. Either alternative would be effective only if no radical structural changes occur in the markets of textile raw materials and if international trade is not hampered by non-economical forces. It seems unlikely that the United States will again provide 55 per cent of the world's cotton consumption, as it did during the years 1928-32, after having dropped to probably 46 per cent in 1935-36.

The Department of Agriculture itself assumes in its cotton report (p. 67) that without any form of production and price control during the next five years domestic cotton acreage would probably average around 42 to 45 million acres and prices would average about 6 to 8 cents. It assumes furthermore that such a price would not raise or maintain cotton production abroad, except in Russia, but that a domestic price of 10 cents would increase foreign output. Since a price of 12 cents is now artificially established the issue seems decided. A cotton acreage of 42 to 45 million acres would mean an accelerated waste and destruction of the remaining soils. A cotton price of 6 to 8 cents would mean an aggravation of the poverty in the South with imminent dangers of social upheavals. Most probably in any case the era of American predominance on the world's cotton markets would be doomed

¹ U. S. Dept. of Agriculture, Bureau of Agricultural Economics, *The Agricultural Situation*, vol. 20, no. 7 (July 1936) p. 4.

sooner or later. Other nations with unexploited virgin soils and with low wages will take the lead in cotton production, while the United States will have to adjust cotton production more and more to the possibly increasing domestic demand.

But aside from the trend toward increased cotton production abroad there is another danger looming up. In spite of the sedative denials of experts it is alarming news for the South that the quality of German synthetic staple fiber is improving at an unexpected pace and that the capacity of the mills is increasing fantastically. Since cotton substitutes made from cellulose are a product of factories directly related to the gunpowder industry they will enjoy all the benefits of super-protection and subsidy.

A glance at American economic history can only strengthen doubts about the possibilities of regaining the export markets for American cotton and in that way avoiding the necessary reforms. Agriculture in the South is substantially lacking in more than efficiency of human labor, adjustments to changing market conditions and reforms in the technique of farming. When the South lost the Civil War the abolition of slavery brought about a reform of labor on the plantations. It is tempting to draw parallels between the consequences of the abolition of the feudal system in the German East after the Napoleonic War and the consequences of the abolition of slavery in the American South after the Civil War. In neither case did the enforced reform succeed in bringing about satisfactory conditions for the long run. Under the Stein-Hardenberg reforms the Junkers expropriated hundreds of thousands of peasants, forcing them into emigration or into the industrial proletariat. In the American South the slave contract was supplanted by the sharecropper contract. The bondage of slavery found its substitute in the new ties of credit advances for the crop or for implements or for supplies at the landlord's grocery store, or was simply replaced by the one-sided accounting system. The reform did not give the slaves any land of their own and did not give the plantation aristocracy sufficient credit to manage their enterprises with hired wage labor. The emergency solution of the

sharecropper system can hardly be called a type of tenancy. It is no more than a primitive form of labor dependence which by dividing the crop risk guarantees the easiest supervision and makes it possible to produce cash crops with a minimum of cash. The sharecropper signs a binder whereby he promises to take care of a certain acreage of cotton, tobacco and usually a little corn, his crop to be sold through the landlord and its returns to be divided at 50-50 or another ratio between the landlord and tenant. No provision is made for any compensation for improvements which the cropper could easily make in the land or in the buildings. This results in the absence of any interest in ameliorations on the part of the cropper or tenant. Even on paper the contract is no agreement between equal parties but as in feudal times it is something which one party has no choice but to accept and for which the other party has the undisputed privilege of interpretation.

Most of the deplorable conditions in the South are solidly rooted in this unfortunate and archaic labor system. Both the market value of the cotton estate and the credit facilities of the owner or the tenant depend on the acreage of cash crops covered by sharecropper contracts. This is why the individual landlord can scarcely even grant land to the cropper for pasturing a cow. The indolence of the croppers and the hard strain of accumulated cotton labor are responsible for the strange fact that most of the sharecroppers have not even a square foot of vegetable garden, although a few hundred square yards could contribute the most valuable improvement to their diet. A comparison with the Japanese peasant, who is still the foundation of the empire and who so skilfully uses a vegetable garden to balance his diet, makes it still more puzzling that the cultivators who raise cotton, the princess among plants, make no use of their unequaled skill and the soil for their own sake.

Dwelling standards of sharecroppers often defy description. This in turn degrades the self-respect of the inhabitants and prohibits the creation of employment in the building trade industries.

In addition to the unfortunate labor conditions, methods of

production which are obsolete for labor-hiring enterprises, and the insufficient profitability of the "adjusted" plantation system, there are other causes for the prevailing conditions in the South, causes which are mainly blamed by those who hold that these conditions are based on natural, not man-made, facts and are therefore unchangeable. The hot climate, the supposedly inborn "laziness" of the cropper population, especially the Negroes, and a centuries old degeneration among parts of the masses, are certainly not to be minimized as causes for or consequences of the natural and historical set-up of the South. But such factors are not invincible obstacles to a real revival or rejuvenation and rehabilitation. Science has only recently eradicated the cattle tick that causes Texas fever and has thus removed one of the greatest hindrances to successful animal husbandry. Fortunately a number of the causes for the croppers' laziness and their incompetence to pull themselves out of the swamp by their bootstraps are open to attack or elimination. Medicine and sanitation in general make it possible to eradicate the often unrecognized malaria or hookworm or to treat hernia and a number of other misfortunes which are so widespread in the South and which disable even the strongest. Adequate diet beginning from early childhood can build up a much stronger resistance against the handicaps of the climate. Rural recreational facilities, better education and adequate shelter will lift the spirits even of the most desolate and the most degenerate mountaineer villagers; they originate from the best European stock, and there will be a number among them who understand cash and who will answer the appeal of competition.

III

The present situation in the South is neither a temporary emergency nor something that developed only recently. It is a national heritage from early colonial days. Unlike the aristocracy in the German East the plantation aristocracy has no decisive influence in the government and has not succeeded in finding political means of maintaining by protectionism or subsidies an artificial

profitability of their decaying enterprises. It is their economic weakness, caused by the obsolescence of their enterprises and their vanished political influence, and not their wickedness that is responsible for the misery of their laborers. This should be kept in mind when reforms are considered. The old hierarchical order is no longer a foundation with carrying capacity for a new structure and no autochthonous reform can be expected. Because the present situation is the issue of a long history and of an obsolete economic and social structure, changes that count will require enormous forces for a considerable length of time. Since the key lies in the rural field and since agricultural policy is, as far as structural changes are involved, always a matter of the long run, we have to prepare for several decades as the very best that may be expected for a successful reform.

As soon as we come to practical suggestions a serious dilemma is encountered with every single measure. Within the individual states the forces in control of the government are more likely to obstruct than to cooperate with federal attempts at reform, unless the advantages are such that the regional vested interests find a satisfactory share for themselves. At the same time the federal government can act with a fair chance of success only if it is assured of the loyal cooperation of the state governments and the local agencies.

One of the preconceptions upon which this approach is based is the belief that central interventionism, with many individual activities of the administration, is always inferior to a policy which tries to establish objective general conditions causing everyone to move automatically in the desired direction. Seen as an administrative unit the United States is nearer to an "empire" than to a "state" in the usual sense. Decentralization in administrative tasks and the employment of private initiative where public enterprises can be transferred to it seem to be the only escape from inefficient bureaucracies, political graft and the passive resistance of the regions.

To begin with, one of the best opportunities to organize gen-

eral reformative conditions lies in the field of financing. The federal government could grant credits with preferential interest rates to those agencies and individuals that choose to act according to the adopted reform policy. As far as private creditors are granting credits for the same purpose the government should grant to them refunds for a certain proportion of the normal interest, with the requirement that this refund be without any deductions directly transferred to the debtor. Any revival of the South and any attempt to lift the poverty stricken part of the national economy implies the necessity to transfer large amounts of capital from other parts of the country into the South. Here again the federal government, as well as the states, should try to stimulate private initiative to invest in the South. The stabilization of the real estate market on a lowered level, which has been performed by the Farm Credit Administration since 1933 through the refinancing of agricultural mortgages, is an example of such a policy. But these methods should only be employed to aid private investment, which will follow as soon as the rest of the poverty is eradicated.

As far as the cotton economy is concerned, nothing should be done to interfere with the migration of cotton cultivation toward the West or with the tendency to mechanize cultivation. On the contrary, the government should use every possibility of fostering mechanization, as for example by extending purchasing credits to farmers for the necessary machines and implements, with minimum carrying charges. Since I believe that the unavoidable trend is toward mechanization, this suggestion means simply an acceleration of the otherwise slower natural development. With the curtailment of the costs of production a certain proportion of cotton farmers will be promoted into an income class in line with normal incomes of farmers in other regions. If the stagnant poverty of the millions is to be broken this reshaping force has to be set in motion. The immediate objection of the reader will be that this will have the effect of impoverishing still more all the rest of the cotton farmers. This, however, would happen only if everything else remained stable, as it would not. Let us assume as a

working hypothesis that the thoroughly mechanized cotton farms would raise only 20 per cent of the southern farm population to a normal income range. The remaining 80 per cent would be exposed to increasing pressure, as it is now. Within a certain interval the improved financial status of the first 20 per cent will probably exert a lifting power for another 10 per cent, since mechanization creates labor in machine and repair shops and since the living expenditures paid out of the higher income foster all kinds of production and distribution, from housing and furniture down to non-durable consumers' goods. This would be the typical boom following a structural social change; it could be seen in Germany in 1933-35 and since 1931 has been evident in England, where structural changes in industries have facilitated the revival of business.

It might be doubted whether all the new business volume would be absorbed by the southern industries and trades. But private initiative would probably not miss its great chance to invest in newly founded local industrial plants which could expect a steady demand. Especially favored industries would be those which are more or less independent from ore or coal deposits and which find their location according either to the labor supply or to costs of transportation and distribution in the neighborhood of consumption. Such industries which are open to decentralization are, for example, manufactured leather goods, toys, furniture, baskets, ceramics, earthenware, hosiery and knit goods, umbrellas, gloves, paper and cardboard, electric appliances, plumbing materials and secondary materials of the building trades, all kinds of automotive repairs. It is certainly true that for a number of such industries the type of labor available in the South may not be sufficiently adaptable, but many of the new factories in the South have proved that the vast reservoir of farm labor offers all types of men and women, many of whom acquire the necessary skill rather quickly. And the whole development of Japanese or Russian industry proves that peasants can swiftly be trained to operate modern machines. Even traditions of skill must have a beginning.

The fear of the New England states that new industries in the South will make severe inroads on their own industrial wealth seems justified only if the new factories should attempt to invade the same markets. The underlying thesis of the foregoing suggestions, however, is that any new developments taking place in southern industry are to be built on the rising purchasing power of the farmers.

But there still remains the vast stumbling block of the rest of the tenant population that will not be absorbed by industries. The only possible way to raise the majority of the hypothetical remaining 70 per cent into a moderate well-being seems to lie in a reorganization of specialized cash-crop agriculture and in a drastic reorganization of farm labor. The most promising type of farm is undoubtedly the family farm without hired labor, with diversified crops and cattle, pigs and poultry husbandry, and with a major part of the income derived from home consumption of agricultural produce. In a revitalized agrarianism of family farms in the South cotton will still be among the marketed commodities within the crop rotation, but on a much smaller scale. There will no longer be the strange situation of the South buying most of its food and feed from the Middle West in order to raise cotton which wastes the virgin fertility of the soil. Some years ago when Iowa farmers were selling corn at 11 cents a bushel North Carolina was paying 65 cents for it. Even the normal average spread between farm prices for food and feed and the present retail price in southern stores will be an asset to cotton tenancy reform. Such a rearrangement is necessary from the point of view of soil conservation but the home production that it entails means that the margin between farm prices and retail prices for food and feed will become a pure gain in purchasing power. It will reintegrate employment capacity in agriculture, as I have pointed out in an earlier article in this magazine.¹

Of course such a shift toward food self-sufficiency in the South

¹ "The Employment Capacity of Agriculture" in *Social Research*, vol. 2, no. 1 (February 1935) pp. 1-19.

will make necessary certain adjustments in other parts of the country. Demand for the products of the Middle West will be decreased by as much as the South produces itself. The effect may be mitigated by the relative slowness of the adjustment in the South, but the corn belt, which has already almost entirely lost its export market for bacon and lard, will certainly suffer losses. The railroads and the trade chain will lose also, but they have the prospect of a multiple compensation through increasing business coming to them as a consequence of improved purchasing power of the masses of tenants. For the nation as a whole the transfer of food and feed production to the rural South will undoubtedly be a gain.

To achieve such a transformation the trend toward increasing tenancy has to be turned the other way. The Norwegian, English and German legislation of the last four decades concerning the protection of tenants' rights and contracts may be taken as a model for the necessary legal background. The introduction of standard contracts, with the stipulation of compensation for improvements and with a certain protection against involuntary interruption of tenancy and against undue deductions from the crop return, could improve conditions slightly. Inheritance taxes progressing with the acreage under tenancy and special taxes for absentee landlordism should be used in order to fill the gap in the revenues caused by exempting all sharecroppers and tenants with a minimum acreage and income, and also in order to diminish the resistance which is certain to arise against changes toward a sounder rural constitution.

But all these environmental changes cannot be expected to move things with the desirable vigor. They are merely considered as auxiliary assistance. What has to be achieved within one generation is the transformation of the majority of sharecroppers into an advanced type of cash tenants, or more preferably into owners, and of the majority of small tenants into owners. This would be the central part of the reform. This fundamental change of the legal status of the majority of the farm population will clear the

way toward the necessary reshaping of farming itself into a rotation system with diversified crops and animal husbandry. Such a change is the only satisfactory solution for the problem of social security for the farmer in the South.

Since it is hardly possible to overestimate the tenacity of the social and economic habits that have to be altered caution and skepticism are advisable. The many initial failures of the settlement program in Germany, with its very efficient civil service, give an idea of the tremendous hazards. It would be very unwise to try to organize the tenancy reform for the whole territory at once in a wholesale attack. Such an attempt would be critically jeopardized by the lack of experienced administrative personnel, by the accumulation of frictions and all the involved regional interests, and by the unavoidable waste of all large scale blueprint activities. The most promising way of avoiding all these reefs, which might start such a public resentment that the general reform would be delayed for another generation, seems to be to start experimental laboratories in the various regions. Independent non-profit cor-

<i>Product</i>	<i>Number of acres of crop and pasture land needed to produce \$100 worth of products, based on 1923-32 average yields</i>			<i>Gross value of products per acre, based on average farm prices 1923-32 (in dollars)</i>	<i>Hours of man labor required per acre of land used</i>
	<i>Crop Land</i>	<i>Pasture Land</i>	<i>Total</i>		
Dairy Cattle (sour cream basis)	3.6	3.6	7.2	13.90	35
Dairy Cattle (fluid milk basis)	2.3	2.3	4.6	21.75	39
Poultry (egg production)	3.5	.3	3.8	26.30	53
Beef Cattle (grass finish)	6.3	16.9	23.2	4.30	13
Hogs (corn finish)	6.1	1.2	7.3	13.70	40
Cotton	2.8	—	2.8	36.25	112

porations financed and supervised by the federal government with the participation of the state governments should buy plantations or groups of cotton farms operated by sharecroppers. Individual farms or reclaimed waste lands should be laid out, of a size that promises to support a family and to carry in addition a sufficient produce for marketing. The optimum size has to be larger than the former sharecropper farm because the plants that have to substitute cotton require more land. The accompanying table is taken from the cotton report of the Department of Agriculture (p. 64), and covers the eight states of the South, excluding Texas and Oklahoma. The value of such summary figures should not be overestimated. They merely indicate the general relations of the various commodities.

Every farm should carry an amortizing mortgage on long term, not less than 20 years. The better the resources of the farm the shorter the term and the higher the amortization rate may be. German settlements were based on a 69-year amortization term. The corporation leases the farms to former sharecroppers, with the condition that the rent amortize also the mortgage and that the tenant have the option to buy the farm after a certain number of years of approval. To eliminate the opportunity for land speculation the corporation reserves the right to buy the farm back, even after the sale to the tenant. This right has to be established by a minimum mortgage which cannot be paid off.

According to twenty-five years of German experience, the first essential insurance against failure of the risky experiment of settling previously dependent laborers as self-responsible farmers lies in a very rigid selection of the applicants. This selection should lay special stress upon the qualifications of the applicant's wife, her competence and her willingness to sign the tenant's contract with her husband. To assure success there should be no tendency to experiment with dubious candidates. The second insurance is the soundness of the economic basis. Nothing means surer failure for a settler's farm than a too complete or perfect outfit of buildings or implements, resulting in a high mortgage. The fewer debts the

settler has to carry the better he climbs the ladder to independence and security.¹

To enable the farmer to proceed with his difficult job of building up an entirely new composition of crops, balancing a mixed farming procedure all year round, and adapting himself to many new occupations, the corporation should assist him with the advice of experts. This is the easiest part of the program to solve, because the Department of Agriculture has at its disposal a most efficient and well trained staff of experts in the agricultural county agents and in the extension service of the Land Grant colleges. With these guides the former sharecropper will be able to develop and operate his farm in such a way that within three or four years he will have mastered its routine. But he must have full responsibility from the first day.

The experimental corporation must, however, go far beyond this first and important part of the task. It has to organize an efficient and lively modern rural community which vitalizes all its members and becomes the economic and social focus for all the farms. The institutions that are needed are, on the one hand, medical service and a hospital, educational and recreational agencies and facilities, and on the other hand, a well disciplined cooperative selling and purchasing association. As far as possible the professional extension service and education must be assumed by the cooperative association. There can hardly be found any more efficient stimulants for progress among farmers than cooperatives, because they can organize competitive efficiency by a self-governed scoring system and the payment of price premiums to those who obtain the highest scores.

As soon as the cooperative organization has been started the landholding settlement corporation should retire and leave the entire administration to the farmers themselves. The same tendency shall prevail in the performance of the corporation in gen-

¹ Since this was written the author has been informed that some such experimental organizations are now in existence. They include the Cherry Lake Farms, Inc., in Florida; the Pine Mountain Valley Community, Inc., in Georgia; the Dyers Rural Community, Inc., in Arkansas.

eral. The sooner it can retire to the position of a mere observer the better it will be for the community. Every settler family should have the freedom to withdraw from its contract, but if the corporation lives up to its function by offering a real opportunity for social security and a fair standard of livelihood it will not be bothered by any withdrawals.

A number of such experimental corporations working toward the great agricultural reform in the South will probably solve within five years such important problems as the optimum size of farms in a special region, the preferable rotations of crops, the size of the animal production, the bearable indebtedness and rent, and the most successful type of cooperative organization. After a period of five years the management of the settlement corporation will have developed an efficient staff which will be ready for the greater task of projecting the experimental results into large scale application of the reform. With the precision of operation which will be reached by that time both the costs of resettlement and the time required for getting under way will be reduced. But even when the general reform begins the principle of decentralization and of moderate sized corporations should be adhered to.

With the present value of all tenant-operated farms in the South amounting to 2.8 billion dollars the dimensions of the financing program are such that Congress will have to appropriate at least several hundred million dollars. If the way has been prepared by such experimental projects as have just been discussed it should be possible to float a mortgage bond issue. Such a bond issue policy as that of the German Landschaften would make it possible to establish a firm bond market and at the same time offer the farmers a good savings investment.

It may be assumed that such a practical and active rehabilitation of the tenants in the South would inaugurate a slow but far-reaching change in the social and economic environment. The contrast between the progress of a selected group of former croppers enjoying good housing and a fair income in a settlement, and the obsolete conditions on surrounding plantations is one

which would not long be tolerated. The landlords will either have to improve the conditions of their sharecroppers or face bankruptcy; either they will have only unemployables to draw upon for their labor supply or they will have continuous trouble with the croppers. But the change will also have less desirable consequences. As soon as non-profit corporations begin to buy land on a larger scale the new demand will raise land prices, necessitating larger resources for the corporations. This would not be so disturbing, since assets would rise equally, except for the fact that the rents, and thereby the costs of production, would also increase, a situation which is very undesirable for beginners. Probably the strong grip that the Farm Credit Administration has on the real estate market, as a result of its holding a total of 3.5 billion dollars of mortgages in the country as a whole and nearly 626 million in the South, would be sufficient to prevent excessive price movements. The purchasing policy to be pursued by the resettlement corporations would act as another brake against speculative moves.

My stress on the necessity of maintaining moderate land prices for the rehabilitation of sharecroppers is in reference to the general level of land prices; it does not mean that the cheap, that is, the poor land should be used for them. Other things being equal the corporations in making their purchases should keep in view the aim of evacuating agriculture from submarginal land and of moving it to the soils with the safest and best yields. The river bottom lands are such preferred locations, but sufficient land resources are also available all over the eastern cotton states.¹

In addition to the primary activity of buying land and settling sharecroppers the government should try to persuade the remaining landlords who continue to operate their estates with sharecroppers to improve the conditions of the contracts. It would probably be desirable for the Farm Credit Administration to differentiate between the normal interest rate for farms with the

¹ While forests have to replace farming on eroded and depleted highlands, forests have to be replaced by farming on flat lands.

average sharecropper contracts and a premium interest rate for those landlords who grant a standard sharecropper contract, as suggested before, and grant to their croppers sufficient land to keep a cow.

The entire history of cotton culture in the South is a chain of dramatic changes and adjustments, often dictated by the dynamics of high power policy. The recent planned reduction of the cotton acreage under the AAA has begun to exert a strong pressure toward considerable changes which from the point of view of the present discussion are in the right direction. On April 1, 1930, the cotton states, excluding Texas, had 3,764,000 cows and heifers over 27 months old (the figure for Texas was 2,868,000). On January 1, 1935, the same states had 5,707,000 cows and heifers 2 years old and over (3,834,000 for Texas). This increase in the cattle stock is a consequence of the shift of millions of acres of land into fodder crops, a shift enforced by the AAA cotton reduction program.

It seems certain that strong forces are joining all over the country for an attack upon the unendurable misery in the tenancy system of the South. Abundant information and knowledge are at hand, and as soon as the growing public consciousness of what is necessary starts a wide and strong drive there can be no doubt that this social and economic disease will be cured. A successful agrarian reform in the South would mean the necessary real reconciliation between the victorious and the conquered parties of the Civil War. The United States cannot but gain by balancing its regional set-up and erasing the final remainders of a feudal history long since past.

It is certainly true that the economic balance sheet and the statistical data presented at the beginning of this discussion are a very one-sided account and do not measure the real assets of the South. Its colorful and vivid people, their wit and lyricism, especially among the five million tenant group, the songs and tales of mountaineers and Negroes, even the attributes of the hierarchical order—these outbalance many of the economic shortcomings of the South. A concentration of all available energies upon economic

efficiency is often enough detrimental to a rich and colorful human culture, as the standardizing influence of modern industrial civilization has demonstrated. The artistic charm and the pleasant ingenuousness of southern life have been retained largely because the industrial revolution did not really penetrate the hills and mountainsides beyond the Mason and Dixon line, and it is nearly certain that any economic progress will undermine these genuine features of the South, especially under a system of mechanized production. A cotton field harvested by machinery can never rival the carnival of cotton picking.

But even from this point of view a reform of the cotton belt has hopeful prospects. A system of small scale family farms, with an independent rural middle class, will offer the best opportunity for the old folklore and native culture to survive, and only such a system can make it possible for a new one to arise, equally fair.

COMMENTARY ON KEYNES¹

I

BY HANS NEISSER²

THE general theory of employment, as presented in J. M. Keynes' new book, is based on the mechanism of "effective demand," the main idea of which is simple: the degree to which equipment of a given quantity and quality is utilized is contingent upon the volume of effective demand, i.e. demand backed by an adequate amount of purchasing power; any investment creates effective demand by producing an income either for the primarily employed — employees who are hired out of invested funds or who produce the capital goods to be bought by these funds — or for the secondarily employed — employees who produce the goods demanded by the primarily employed (or by a preceding set of secondarily employed); thus "in given circumstances a definite ratio, to be called the *Multiplier*, can be established between income and investment . . ." (p. 113).

There is nothing in this theory of circulation that is incompatible with orthodox doctrine; the difference lies mainly in the views about the conditions of investment. In discussing them more in detail I hope to contribute to an understanding of what seems to me a most important step forward in the theory of "dynamics."

The objections I wish to raise concern (besides the unfortunate quantitative concept of the multiplier) Keynes' claim that, with given equipment (p. 245), it depends only on effective demand whether or not a point is reached "at which there is no surplus of labour available at the then existing real wage" (p. 289). In

¹ Keynes, J. M., *The General Theory of Employment, Interest, and Money*. New York: Harcourt, Brace. 1936. 403 pp. \$2.

² The author wishes to acknowledge his indebtedness to Dr. F. Lehmann, New York, and Dr. W. Leontief, Cambridge (Mass.), for valuable suggestions.

other words, I deny that Keynes' theory is a *general* theory of employment. For his statement would lead to the deduction that full employment for *any* amount of labor could be secured by cooperation of this amount of labor with *any* quantity and quality of fixed capital. But suppose, this point having been reached for the employment situation in present-day England, that the current supply of labor were suddenly doubled, say by immigration; would full employment still depend solely on effective demand? The question could be answered in the affirmative only if certain of Keynes' *implicit* assumptions about the production function could be taken as granted. Thus before entering a detailed analysis of the mechanism of effective demand (in Section II), I shall (in Section I) briefly discuss these assumptions in order to determine more closely the range within which Keynes' theory could possibly apply. The third section will be devoted to the concept of the "multiplier" and the fourth to Keynes' new theory of interest.

In this frame it will be impossible, of course, to cover the whole content of Keynes' new book, and certainly full justice cannot be done to the richness of ideas in detail that characterizes the *General Theory* as well as Keynes' former writings. Many chapters in the new book will delight even a reader who, like the present reviewer, is unable to acknowledge the claim brought forward for a "general theory of employment, interest, and money."

I

Voluntary and Involuntary Unemployment

Equipment of a given quantity and quality shall be said to be utilized "optimally" for that quantity of output for which the average cost function, computed at a given level of factor prices, is at a minimum. Even under conditions of perfect competition, however, a producer might be induced to recede from this point, if effective demand declines, and be willing to produce and sell a smaller quantity of goods at a price covering only *marginal* costs and causing a loss, till such time as he would be able to adapt his equipment to the change in demand; this adaptation,

however, is excluded by Keynes' basic assumption, and in any case could not be accomplished "in the short run." Thus there is in any moment a range between the minimum point of marginal costs¹ and the minimum point of average costs, within which the degree of utilization will be contingent upon effective demand. This range of application is widened by the possibility of increasing output beyond the point of optimum utilization, though marginal costs and prices would rise much more steeply. There is consequently an upper limit to the right of the optimum point, beyond which workers will no longer "acquiesce" in the ensuing decline of real wages but, by demanding higher money wages, will prevent an increasing part of the purchasing power that represents the effective demand from exercising any stimulus to raising output.

It is to the range between the minimum point of marginal costs and the point of acquiescence that Keynes' theory of employment specifically applies. He distinguishes between frictional unemployment (due to various inexactnesses of adjustment) and voluntary unemployment (due to refusal or inability to work, as a result of legislation, social practices, combination for collective bargaining, slow response to change or mere human obstinacy) on the one hand (p. 6), and involuntary unemployment on the other hand: "Men are involuntarily unemployed if, in the event of a small rise in the price of wage-goods relatively to the money-wage, both the aggregate supply of labour willing to work for the current money-wage and the aggregate demand for it at that wage would be greater than the existing volume of employment" (p. 15). Though it is not expressly stated the whole context suggests the conclusion that Keynes' theory is especially designed to explain

¹This point usually lies on a lower level than the minimum point of average costs. Thus, under conditions of perfect competition, prices will rise (though not quickly) if and when capacity is better utilized as a result of an increase in effective demand. On the other hand, under conditions of imperfect competition (somewhat neglected by Keynes) such as exist in industry at least during depression, prices will usually be kept above marginal costs; thus better utilization might be associated with a *fall* in commodity prices.

involuntary unemployment, while the so-called "classical" theory seems to be considered as adequate for the explanation of frictional and voluntary unemployment, the latter evidently covering all cases to the right of the point of acquiescence. But is the classical theory of voluntary unemployment really satisfactory? In my opinion it does not give an adequate explanation for the shifts in the demand for labor, especially when caused by technical progress.¹ This defect would not be very serious if we were permitted to suppose a range to the right of the optimum point, sufficiently large to absorb the realistically possible increment in the supply of labor, without encountering the point at which the marginal productivity of labor, and thus the real wage rate, would fall below the minimum of subsistence and even to zero. But where is the empirical material which would warrant such an assumption?

Prima facie, I think, the opposite view is more easily acceptable: that any attempt to shove a considerable amount of human labor into an already optimally utilized equipment would bring about a serious decline in the marginal productivity of labor, close to zero. On the other hand, labor-saving devices might suddenly reduce the amount of labor employed by one unit of equipment, i.e. enhance the supply of free labor. Orthodox theory has no satisfying approach to this side of the unemployment problem. And by accepting the orthodox theory for all employment beyond the point of acquiescence Keynes has been able to develop a general theory of employment in which technological unemployment is not even mentioned.

Even this is not the whole story. It is not sufficiently recognized by Keynes that an increase of output up to the point of acquiescence might be associated with a decline in effective demand for consumers' goods, so that any attempt to improve util-

¹I have discussed the various aspects of the question in an article, "Lohnhöhe und Beschäftigungsgrad im Marktgleichgewicht" in *Weltwirtschaftliches Archiv*, vol. 36 (October 1932) pp. 415 ff., examining there also the "classical" mechanisms that within certain limits would permit a given quantity of equipment, by altering its qualitative structure, to absorb an additional amount of labor.

ization by increasing effective demand in toto would defeat its own purpose. This can be shown, however, only after a more detailed discussion of the mechanism of effective demand.

The practical importance of the limitation discussed in this section scarcely needs to be pointed out. If we look at German and British unemployment previous to the fall of 1929, which Keynes would unhesitatingly explain on the lines of his specific theory, we may ask whether it was really only involuntary unemployment, or whether it was to a larger extent voluntary unemployment, the marginal productivity of the labor of the unemployed very likely falling short even of the minimum level of subsistence. At least no proof is forwarded by Keynes for his particular explanation, and no justification for such sweeping statements as "a state of full investment in the strict sense has never yet occurred, not even momentarily" (p. 324), which implies that unemployment has never been anything but involuntary.

II

The Mechanism of Effective Demand

As pointed out in the beginning, the main difference between Keynes' and the orthodox doctrine lies in the views about the conditions of investment. Orthodox theory assumes that the incentive to investment is to be found in the profit margin, as given by the actual level of prices and the actual level of costs, especially of wages and interest; by sufficiently reducing the latter level it should be possible to restore investment and to reach at least the point of optimal utilization if not of full employment. Keynes agrees about the necessity of lowering the real wage level, but he prefers to achieve this goal by a rise in the commodity price level, partly because, within a certain range, only money wages, not real wages, are inflexible but mainly because a reduction in money wages would cause a decline in aggregate effective demand (p. 259). While orthodox doctrine would insist that a wage reduction implies only a transfer of purchasing power to capitalists and entrepreneurs, Keynes treats this transfer as only

one of seven "repercussions" (p. 263); in general he considers the quantity of money itself as a function of the wage and price level; effective demand is somewhat dissociated from the underlying monetary basis.¹ But why should money funds accruing to entrepreneurs or capitalists from wage level reduction not be invested (if not spent) like other savings, from which in most cases they can scarcely be distinguished? Because the price level is going to fall? But that is just the point to be proved. If they were invested the price level would not fall.

The significance of the question will become clear if we consider the situation in one industry, say the cigar industry, in which, because of changes in the public's tastes, prices and profits decline, while other industries, say the cigarette industry, show opposite tendencies. Certainly a decline of wages in the cigar industry would not lower aggregate demand, but by restoring a part of the entrepreneurs' income would create the possibility of transferring capital to the cigarette industry; although the income from wages would decline the aggregate income of the upper strata would be somewhat increased, and there would be no reason to refrain from investing the increment.

This result may be expressed in Keynes' terminology by stating that in this case the long term expectations, already favorable at the outset, remain undisturbed, while they would be strongly

¹ Lack of space makes it impossible to discuss in detail this feature of Keynes' income concept and the ensuing axiomatic equality of saving and investment. Suffice it to point out that the dispute with the "neo-classical" school, according to which savings may exceed or fall short of investments, is largely a terminological one. For, according to Keynes, aggregate income is the sum of factor costs (wages, etc.) per unit of time, plus entrepreneur's income, defined in turn as the excess over factor costs of the value of his finished output sold during the *same* period. Therefore if investment is financed partly by credit creation, without, however, increasing factors' income, then the entrepreneur's income, and thus his savings, will prove to be correspondingly increased at the end of the income period: thus savings = investment. (Vice versa, in case of "deflation," that is, when a part of savings is stored in money form, the ensuing losses of entrepreneurs, representing dissavings, will reduce the aggregate savings to the value of investments.) It may be of some help if we restate Keynes' formula in the following way: factor savings — factor dissavings + entrepreneurs' unspent income — entrepreneurs' uncovered losses = investment.

affected if "depressions should be accompanied by a gradual downward tendency of money-wages, a further moderate wage reduction being expected to signalise each increase of, say, 1 per cent. in the amount of unemployment" (p. 265). I cannot see why entrepreneurs should invest less because their "confidence in the prospective maintenance of wages" (*ibid.*) is shaken; at least not until their present state of mind, in which they consider wage reduction the necessary and sufficient cure of a depression, is converted by a zealous study of Keynes' books.

There is a hole in Keynes' theory of long term expectations, Chapter 12 presenting only a brilliant survey of what may be called the structural determinants of these expectations but neglecting the strictly economically caused cyclical fluctuations. This defect, however, may easily be removed by taking recourse to Keynes' paramount idea of the role played by the "propensity to consume": since a sudden general decline in the wage level might for the moment reduce profits, or even create losses over the whole range of consumers' goods industries in which investment had hitherto looked profitable, long term expectations might be turned suddenly in a pessimistic direction, curtailing investment even while the flow of savings increased. The essence of this argument, developed step by step by the so-called school of under-consumption¹ in disputing the orthodox point of view, is contained in Keynes' analysis of the conditions of the "optimum relationship" (p. 28), a situation which corresponds to the assumptions of the classical theory: "But it can only exist when, by accident or design, current investment provides an amount of demand just equal to the excess of the aggregate supply price of the output resulting from full employment over what the community will choose to spend on consumption when it is fully employed" (*ibid.*). And again, for the situation of a change in

¹In his notes on under-consumption theories (p. 353 *et al.*) Keynes disregards the continental authors almost completely, not mentioning Rodbertus (partly translated into English) nor the neo-Marxist school nor the semi-orthodox economists who tried to reconcile the main idea of under-consumption with the classical and neo-classical line of thought.

aggregate income: "Thus their [the public's] effort to consume a part of their increased incomes will stimulate output until the new level (and distribution) of incomes provides a margin of saving sufficient to correspond to the increased investment" (p. 117). Here the fundamental proposition is brought forward that the general equality between the national income and the cost value of current output, as stated or at least implied by the law of markets, does not, by competition, secure full employment or even optimal utilization of capacity, unless the share of spending in the potential income is at least equal to the share of consumers' goods in the potential current output. In my opinion this proposition is of paramount importance both for the theory of cyclical "equilibrium" and for the theory of "reflation" by investment (and its limits). Stressing this relationship Keynes' theory points to the very core of the problem of optimal utilization.

It is, however, a short run theory. And we cannot but raise one fundamental objection against the general aspects of the mechanism of effective demand as presented by Keynes, the same objection that must be leveled against all traditional theory of under-consumption. This objection is against Keynes' taking crisis and depression as the result of a general property of the capitalistic system, though they may be no more than a temporary disturbance. Keynes' whole argument starts on the assumption of an equipment given as to quantity and quality. But are there no long run tendencies to adapt the quality, i.e. the structure of production, to the structure of demand, either actual or anticipated? And would these tendencies necessarily be defeated?

I do not venture to give a definite answer. It seems to me that some remarks of Keynes (p. 300) would present a start to a more satisfying treatment of this problem: he discusses there the probability that even if unused capacity should exist in all fields of production, with rising income and output, "the demand for some services and commodities will reach a level beyond which their supply is, for the time being, perfectly inelastic, whilst in other directions there is still a substantial surplus of resources without

employment."¹ Would not the current investment tend to be directed toward the very fields which have a relatively small capacity, i.e., would not the structure of production be adapted to the structure of demand?

On the whole Keynes seems to be more interested in presenting the mechanism of effective demand, especially the process of investment, than in a systematic examination of the possible fluctuations in the factors responsible for harmony or discrepancy between the structure of expenditure and the structure of production. Thus he does not sufficiently perceive that his main principle would also permit an explanation of an economic disturbance arising in a status characterized as an equilibrium "created by accident or design." Surprisingly enough, the crisis is explained not as originating in a sudden discrepancy between the structures but by "disillusion," falling suddenly and with "catastrophic force" "upon an over-optimistic and over-bought market" (p. 316). And even Pigou's alternating waves of optimism and pessimism recur as explanation of the cycle (p. 322). But is it an "error of pessimism" that prevents man from investing in a period of general losses?

III

The Multiplier

The function of investment in keeping up "effective demand" and securing "full employment" has been analyzed in the preceding section. By introducing the quantitative concept of the multiplier Keynes tries to establish a definite ratio between income and investment. The critical remarks in the last section were more of an interpretative and supplemental character, leaving untouched or rather supporting the essence of Keynes' argument, but I cannot, after repeated examination, find any particular

¹In the first section of this article we defined optimal utilization only for one firm. We may define it now for the whole system, the capacity of which would be utilized optimally if and when the first "bottle-neck," in Keynes' sense, is reached. For practical purposes, however, it must be recalled that current investment may steadily shift the location of the first bottle-neck.

theoretical or statistical value in his quantitative approach.

Any given amount of investment, per unit of time, doles out a certain amount of purchasing power to the primarily employed. By spending a part of this income, corresponding to their propensity to consume, they create effective demand and thus secondary employment¹ and a new wave of income, effective demand, etc. The sum of this falling geometrical series of spending is the income created by the original investment as measured by the multiplier.

What would happen if the marginal propensity to consume were to become equal to unity? ". . . there will be no point of stability and prices will rise without limit" (p. 117). In other words, income will approach infinity.² This is not surprising as long as the incessant primary waves of investment are supposed to represent an addition to the current money flow. But can it be upheld if investment is financed exclusively out of current factor savings, without any monetary expansion, the average propensity to consume being less than unity? The answer is, of course, negative; and the reason lies in the fact that in this instance the increment in income, due to current investment according to the theory of the multiplier, is offset, because of the fact that current income is not entirely spent, by a decrease of equal magnitude. For by current spending income would be created in just the same way as by current investment.

Thus in the standard case of non-expansionist investment the multiplier breaks down as a measuring rod for additional employment and it remains nothing but the algebraic ratio between investment and income, i.e. the savings quota. This result can be expressed in more general terms: any expenditure of income earned per unit of time, whether by spending or by investing,

¹ Keynes also discusses the situation in which the waves of secondary demand are perfectly foreseen by consumers' goods industries (p. 122); in this case secondary employment would start one production period earlier than with imperfect foresight, but the pattern of successive spending actions would not be disturbed.

² The multiplier equals k if $1 - \frac{1}{k}$ indicates the marginal propensity to consume.

creates, other things being equal, an *equal* amount of income during the subsequent¹ time unit. To get a multiple Keynes had to compare the investment per time unit with the ensuing income during the *whole* subsequent time; and the only reason why he did not get the value infinity is that, in working out his formula, he counted only the consecutive acts of *spending* and not the ensuing acts of *saving* and investment, as if the saving of the secondarily employed were less caused by the primary investment than their spending!² It is, of course, possible that the secondarily employed (or, in his stead, some other agent in the system) prefers to keep his savings in liquid form, but that depends on the concrete situation in each moment, and does not permit the establishment of the multiplier as a structural property of a system for *any* amount of actual investment. To some extent even Keynes acknowledges that the multiplier is itself a function of the cycle, to be found by concrete examination. But if so, what is its use?³

The analysis of the multiplier is conducted in accordance with the "psychological law" established by Keynes: "when the real income of the community increases or decreases, its consumption will increase or decrease but not so fast" (p. 114). This law

¹ The term "subsequent" has to be taken *cum grano salis*. Technical reasons may delay the current reproduction of income for a certain while.

² We do not deny that, for practical purposes, it is permissible to describe the secondary effects of incessant waves of additional primary investment by Keynes' formula, provided the unspent part of the secondarily employed's income is not "invested" but is stored in liquid form or destroyed. In such cases non-spending of secondary income, created by expansionist primary investment, could not represent "saving," because it does not involve losses or dissavings of entrepreneurs and would therefore, if counted as saving, enhance the volume of aggregate saving over the volume of investment, i.e. of "current addition to the value of the capital equipment" (p. 62). The worse for Keynes' income concept!

³ My remarks on "Secondary Employment: Some Comments on R. F. Kahn's Formula" in *Review of Economic Statistics*, vol. 18, no. 1 (February 1936) could be applied also to Keynes' multiplier, which is kindred to Kahn's formula; see also Kahn's reply and my rejoinder in the same periodical (August 1936). In the meantime one reason for the lack of understanding between Kahn and myself has become clear to me. I had interpreted his formula as treating on an equal footing consumption and productive investment of the secondarily employed; in fact, however, Kahn like Keynes seems to deal exclusively with the spending of the employed.

itself, however, might be challenged. Substantially it is correct for the individual but not in all circumstances for the community. Keynes himself discusses in Chapter 8 the objective factors determining for the whole community the propensity to consume, but he allows changes in the distribution of income to play a role only if they lead to a change in the wage unit in terms of money: ". . . as a rule, the amount of aggregate consumption mainly depends on the amount of aggregate income (both measured in terms of wage units) . . ." (p. 96). But suppose labor-saving devices displace workers; would not aggregate consumption then decline at a given, even increasing income, thus setting up an independent *cause* of disequilibrium? Or, to come back to the discussion of the range between the points of optimal utilization and the point of acquiescence which I discussed in Section I: in order to have the rising marginal costs in consumers' goods industries covered by prices, aggregate demand for consumers' goods would have to rise proportionally to the marginal costs, while workers' income, at a given wage unit, would rise only in correspondence with average costs. In other words, the increase of output beyond the optimum point would also, by lowering the real wage, lower the share of workers in an increasing income and would thus lower the effective demand for consumers' goods in the total effective demand, unless either capitalists were sufficiently spendthrift to keep up the system's propensity to consume, which is very unlikely, or unless the initial increase in output were restricted to capital goods industries while the increase of output in the consumers' goods industries were delayed until effective demand should rise. The latter condition is fulfilled by Keynes' investment mechanism but it seriously limits the amount of employment beyond the point of optimal utilization.

IV

The Theory of Interest

"Investment represents the demand for investible resources and saving represents the supply, whilst the rate of interest is the

'price' of investible resources at which the two are equated" (p. 175): this, according to Keynes, is the "classical" theory of interest. The demand is given by the marginal efficiency of capital, which is very neatly defined by Keynes as "the relation between the prospective yield of a capital-asset and its supply price or replacement cost . . ." (p. 135). What then are Keynes' objections to the classical law?

First, he assails the treatment of income as an independent magnitude not to be influenced by shifts in the demand function or the supply function of capital. Keynes' argument, substantially correct as it is, gives much more emphasis to the basic limitations of any theory of partial equilibrium applied to any problem, not excluding the fundamental cost concepts of his own employment theory; and since these limitations were well known to Marshall himself, and are frequently pointed out by the general equilibrium school,¹ this criticism is not of great novelty. Keynes himself does not try to develop a more complicated general equilibrium theory which would take account of this interdependence, but by a surprising step entirely removes income, savings and the marginal efficiency of capital from the theory of interest, though marginal efficiency retains the fundamental function of governing the inducement to invest.

"... the mistake in the accepted theories of the rate of interest lies in their attempting to derive the rate of interest from the first of these two constituents of psychological time-prefer-

¹This school plays no role in Keynes' survey of what he calls the classical or orthodox doctrine, with the exception of one inadequate quotation from Walras. For other reasons too this survey leaves a curious impression on the reader's mind. The main presentation of the classical view is founded on Pigou's *Theory of Unemployment* which was published in 1933 and has not found a very good reception with fellow economists. Marshall was too cautious, as Keynes himself remarks, to offer many points for attack, and he would offer none if he received a little more generous interpretation (cf. p. 19). Marx, who was a true Ricardian in his theory of value and employment and an adherent of the banking school in monetary theory, is treated as a heretic, though of a less sympathetic kind than Silvio Gesell. And the strange combination of Ricardo, Marshall and Pigou in one "classical school" makes Ricardo appear an adherent of the doctrine that price fluctuations are governed by wage fluctuations!

ence [i.e., the amount of saving] to the neglect of the second" (i.e., the degree of liquidity preference) (p. 166). Since Keynes considers this degree of liquidity preference as contingent upon the interest rate, the simplest way of solving this problem seems to be to add another member to the equation, which would present the liquidity preference as a function of the interest rate:

$$(1) \quad d(i) = s(i) - \frac{\Delta L(i)}{\Delta t} + \frac{\Delta M}{\Delta t}$$

with $d(i)$ denoting the demand for capital, $s(i)$ the supply of savings per unit of time and $L(i)$ the liquidity preference, each as a function of the interest rate i ; M denotes the stock of money, t time.

Keynes, however, proceeds differently. The rate of interest "is the 'price' which equilibrates the desire to hold wealth in the form of cash with the available quantity of cash" (p. 167):

$$(2) \quad \frac{\Delta L(i)}{\Delta t} = \frac{\Delta M}{\Delta t}$$

But if i is determined as in equation (2) how are we to be sure that at the same interest rate the demand for investible resources and the supply of savings will be equated? That could happen only by accident; only equation (1) assures the fulfilment of both the classical condition and Keynes' condition. Another question: what would be the rate of interest if both terms of equation (2) should happen to be zero? The supply of savings and the demand for capital might nevertheless be positive, and no desire for additional transaction balances would arise before the newly produced capital goods were assembled and put into operation.

On the other hand equation (1), though formally correct, does not teach us very much under dynamic conditions, when the level, if not the form, of the functions undergo fast changes which must themselves be partly considered as functionally correlated with the changes in variables. The same objection, it is true, could be leveled against $L(i)$ in equation (2). In fact, however, Keynes

does not stick to the over-simplified proposition represented by this equation. Again and again the proposition is modified, rendering the discussion extremely difficult; but if it is more convenient recourse is always taken to the initial simple form (e.g., Chapter 16, Section 1, p. 213). This tendency is evident in the treatment of the marginal efficiency of capital: it is removed from equation (2) and plays here only an indirect role in determining the actual shape of the liquidity preference; it suddenly reappears on page 173 as determining the demand for investible resources.

According to Keynes' original statement of his theory of interest (p. 167) $L(i)$ is negatively correlated with the interest rate; it would follow from equation (2) that a decline in this rate would be associated with an increase in the quantity of money, but the business cycle shows just the opposite picture. The reason is obvious and is given by Keynes himself (*ibid.*): the liquidity preference is in fact a function not only of the interest rate but also of profit expectation; and an upward shift in the liquidity preference function is associated with an even larger downward shift of $d(i)$. Thus the interest rate declines in depressions, although the flow of investible savings is curtailed first by the fall in income and second by the increasing liquidity preference.

It scarcely needs pointing out that in this case Keynes' general statement of the theory of interest, as given in equation (2), is as unsatisfactory as is the revised classical statement in equation (1). But the latter is at least correct for a state of unchanged "static" expectations, while the former is never correct. The simplest way out would be to regard Keynes' statement of his interest theory, quoted above, as a tentative formulation, while equation (1) would represent his true opinion. What then would become of his view, so important in its practical consequences, that only high interest rates and the ensuing scarcity of money prevent realization of full employment?

According to both orthodox doctrine and Keynes' new theory there are two points of equilibrium which bound the range of

disequilibrium. At the lower point employment and income are reduced so far that dissavings equalize savings; the upper limit is the point of "full employment," i.e. absence of involuntary unemployment; beyond this point any increase in the money flow is bound to create "true" inflation, in the sense of classical theory, without much long run effect on the interest rate, as described by Keynes himself (p. 303).

Whether or not there is a possible increase of output and employment upwards from the lower limit seems to depend mainly on the harmony between the potential structure of production and the potential structure of expenditure. If for any range between the limits the marginal propensity to consume is too low, despite the favorable influence exercised by reflation, then reflation is impossible, unless the structures can be adapted by other means (e.g., by a decline in capitalistic income from a fall in the interest rate); any attempt to increase the quantity of money would prove futile and would be offset by rising speculative balances, however low the rate of interest. This could be disregarded by Keynes because successive waves of investment, due to public works expenditure of the usual kind, considerably increase the demand for consumers' goods without increasing the supply. Since, however, private investment might be associated with an increased consumers' goods output the question remains open whether the harmony between the structures, if secured in this way, would be preserved if and when, in due time, increasing private investment should take the place of public works. This problem does not seem to be adequately dealt with by Keynes. On the other hand, *if* the harmony between the structures should prove to be stable during the process of reflation one might ask why the public works program is required to bring about the expansion. Orthodox theory would probably insist that, with adequate flexibility and absence of non-economic disturbances assured, competition would drive business activity up to the optimum, either by lowering interest rates and expanding bank credit or by lowering the level of prices and income

rates. Keynes, on the other hand, considers the actual interest rate level during recovery to *restrict* expansion. Both Keynes' and the orthodox theories seem to overrate the significance of the interest rate as stimulus for reexpansion. However low the rates, since they cannot become negative, the general pessimistic attitude may prevent the body of entrepreneurs from utilizing the ample credit facilities, so that only an increase in effective demand due to governmental interference, whether or not associated with a decline in the interest rate, could overcome the dead point. There remains only the phase of recovery itself (under conditions of a potential harmony between the structures) for which Keynes' statement could be correct. Perhaps there exists no automatic mechanism that would secure optimal utilization for at least one industry; but would a fall in the interest rate level or an increase in the quantity of money suffice to push production and employment up to this goal? Keynes' positive answer seems to be mere assertion. Moreover, I doubt that qualitative theory could show more than the specific conditions under which the goal would be reached; statements about the actual course of capitalistic development will, in any case, need corroboration by quantitative analysis.

Thus avoiding deflation¹ and carrying through reflation are the true functions of an increase in the quantity of money; in

¹ The necessity of satisfying the increasing desire for liquidity, in so far as it arises from the precautionary motive and from the speculative motive, is acknowledged even by so orthodox an author as Professor Hayek; it is identical with the dislike for "hoarding," as expressed by almost all economists, the term "hoards" taken in the narrower sense which does not include transaction balances. Evidently Keynes' argument (p. 174) that "the amount of hoarding must be equal to the quantity of money . . . and the quantity of money is not determined by the public," is not applicable to this narrower concept, which, however, is mentioned by Keynes himself in the same sentence. The necessity of satisfying the transaction motive, in order to combat relative deflation, is stressed to the utmost by price stabilizers and income rate stabilizers. It is worth noting that Keynes, by making the liquidity preference the paramount issue, definitely deserts the price stabilizing school and, in fact, would have to agree with the income rate stabilizers in allowing a price fall when real costs decline. On the other hand, he now goes so far as to accept a price rise, if indispensable to reach the goal of full employment.

full equilibrium such an increase would influence the interest rate level only temporarily, while in disequilibrium the complicated but secondary effects could not be described adequately by either equation, but only by a step by step analysis of the cumulative changes.

Lack of space does not permit a detailed discussion of all corollaries to and conclusions derived from the theory of interest as given in the latter parts of Keynes' book. Some remarks, however, must be added about his views on the future of the interest rate.

The "limitations on the ability of the monetary authority to establish any given complex of rates of interest" (p. 207) are more or less forgotten in Chapter 16, Section 4, where the decline to zero of the marginal efficiency of capital in equilibrium is declared possible within a single generation, certain reasonable assumptions being realized. Now, as lucidly described by Cassel, there is a danger of a sharp rise in dissaving when the interest rate drops to around 2 per cent; and though at the optimum point the relative proportion of consumers' goods in the output is unchangeable as long as the condition of equipment given as to quantity and quality is fulfilled, there would be no difficulty in raising this proportion in a *growing* system, in which investments might be directed progressively into consumers' goods industries, ending in a stationary state where dissaving would offset saving at 2 per cent interest. To press down further the interest rate and the marginal efficiency of capital it would be necessary by gradual inflation to reduce consumption and to secure a current net volume of investment. I do not wish to deny the theoretical possibility. The task of achieving this goal, however, without disturbing the harmony between the structures, seems to me rather difficult.

From a theoretical angle even graver objections have to be leveled against Keynes' statement about the future development of the marginal efficiency of capital: "If there is an increased investment in any given type of capital during any period of time, the marginal efficiency of that type of capital will diminish as the

investment in it is increased" (p. 136), in the long run mainly ". . . because the prospective yield will fall as the supply of that type of capital is increased" (*ibid.*). What is true for the schedule of any given type of capital is supposed to hold true also for the aggregate, although in reality new wants might uphold the share of consumption in an increasing income. On the other hand, we read on p. 307: "During the nineteenth century, the growth of population and of invention, the opening-up of new lands, the state of confidence and the frequency of war over the average of (say) each decade seem to have been sufficient, taken in conjunction with the propensity to consume, to establish a schedule of the marginal efficiency of capital which allowed a reasonably satisfactory average level of employment to be compatible with a rate of interest high enough to be psychologically acceptable to wealth-owners." This statement does better justice to the factors governing the marginal efficiency of capital than the other one quoted above. Now, is there a definite reason to predict for the twentieth century an end of inventions and wars comparable to the changes in population growth and in the opening up of new land? On the contrary, will not the rise of durable investments like waterways, roads and buildings make necessary the cooperation of one unit of human labor with more and more capital? As long as the race lasts between technical progress and capital accumulation it seems hazardous to forecast the trend of the interest rate.

It is not easy to appraise adequately a work like Keynes' book. Though in many parts it confirms Marshall's dictum that the "Mecca of the economist lies in economic biology rather than in economic dynamics," essentially it strives to erect a reliable framework of dynamic theory. Moreover it is written by an author who, having grasped by brilliant intuition the pivotal point in the complex world of economic fluctuations, is much more eager to reform from this angle the whole body of economic concepts, reaching at the same time for simple, practical results, than to

elaborate patiently and step by step the paramount ideas themselves; on these ideas alone, however, all conclusions and applications could be based. Looking back, it seems to me that the theoretical material contained in Chapters 13 to 17, dealing with the theory of interest, could have been presented in a much more consistent and convincing form if Keynes had refrained from presenting a novel and simple *general* theory of interest. And I have no doubt that his mechanism of effective demand, as the nucleus of a theory of economic fluctuations, would be accepted much more readily by his fellow economists if he had not used it as an allegedly sufficient pillar for a *general* theory of employment, and if he had devoted more than three chapters—one of them merely a repetition, one of them already an application—to clarifying the underlying assumptions and to analyzing the various links of the complicated theoretical framework.

(*University of Pennsylvania*)

II

BY EMIL LEDERER

SINCE it is impossible to discuss all the problems dealt with in Keynes' unusually rich and stimulating book my remarks shall be confined to only two questions: first, what is the basis of two fundamental concepts that Keynes introduces; second, can the theory offered in this book explain the extent and the severity of the last great depression, in other words, is it a general theory?

The two concepts with which I propose to deal are the "propensity to consume" and the "liquidity preference." They are interrelated in their influence: the propensity to consume will decrease with production increasing per head, and the liquidity

preference may prevent an adequate increase in the spending of money which has not been consumed. There is no automatically working machinery which will carry to the market every element of purchasing power created by production. Liquidity preference will, in the long run, prevent full investment of that part of the income which is not consumed, because the decreasing marginal efficiency of capital will call for an interest rate which the savers will not accept as sufficient. It is therefore the relation of the liquidity preference to the marginal-efficiency-schedule that is decisive; but the latter is bound to be influenced by the propensity to consume, because the marginal efficiency will be lower as the propensity to consume becomes weaker, and therefore the influx of purchasing power to the capital market will be greater. Thus, with the liquidity preference remaining the same, the point will be reached at which investments will slow down, and full employment will not be maintained. (It may be noted that in this book Keynes somewhat changes his definitions, in comparison with his former usage. But in his present contention that the amounts of savings and investments are identical there is, in substance, no change of his opinion. Cf. pp. 61 ff., 74 ff.)

This interplay of economic motives, however, is in Keynes' view decisive for the degree of employment because, under given conditions, to every rate of interest corresponds a certain amount of employment until full employment is reached. If the interest rate securing full employment is A , any interest rate above A will mean unemployment. If in the course of the economic development the interest rate securing full employment decreases, and if it decreases below the level which is acceptable to many savers, their liquidity preference will result in a reduction of investment and hence of employment. The interest rate is therefore the pivotal point, according to Keynes, and the main theme of the book is the decisive influence of the propensity to consume and the liquidity preference on the determination of the interest rate. The book attempts also, however, to analyze the working of the economic system as a whole, and therefore includes a discussion of all the

main elements bearing on employment (such as the wage rate).

Now as to these two concepts. Keynes takes it almost as an axiom (pp. 28, 90 ff., 96) that consumption increases with an increase in income, though not as much as income increases; some sentences express a belief that the portion of income spent on consumers' goods is in inverse relation to the aggregate (real) income. He maintains that "the greater the volume of employment the greater will be the gap between the aggregate supply price . . . of the corresponding output and the sum . . . which the entrepreneurs can expect to get back out of the expenditure of consumers" (p. 30). I should like to suggest the following reservations. First, in so far as the increase in employment implies an increasing number of workers employed but no greater wage per head, the worker's propensity to consume, or the portion of wages spent for consumers' goods, remains unchanged. In this case consumption might increase somewhat more slowly, if only for the reason that subsidies will no longer be paid to the unemployed. Second, even if wages (and salaries) increase somewhat, we cannot assume that the percentage of them spent on consumers' goods will be reduced. Frequently increasing income implies another social standard and may even lead to a greater propensity to consume. Also, the fact that an increasing income suggests optimism may cause the tendency to save to be weaker than in the foregoing lean years. Third, only as far as increasing employment during a period of recovery allows for greater and better utilization of capacities, and therefore tends to increase profits more than other incomes, will the unconsumed portion of profits increase considerably. Thus the unconsumed portion of the national dividend will increase, but probably less than Keynes assumes.¹ The reduction in the percentage of income spent on consumers' goods in the first phase of recovery will be largely due to the necessity of reducing debts or of paying back credits. So far the consequences of this process depend not only on the subjective factors of the propensity

¹ Cf. Lederer, E., "Kapitalbildung aus Einkommen" in *Kapital und Kapitalismus*, ed. by Bernhard Harms (Berlin 1931) p. 226.

to consume and the liquidity preference, but on the working of the system, the consequences of which are expounded by Keynes in an impressive way but are not altogether unknown to students of the cycle.

The second concept, the liquidity preference (pp. 168 ff.) seems to me another expression of the old idea of risk. Apart from the need of cash for current transactions only two motives will prevent investment: either the possibility of a higher interest rate in the future, thus entailing a loss (*cf.* the explanation on pp. 201-02); or the danger of losses if the enterprises do not yield the expected returns. In the second case a considerable reduction in the capital value, perhaps the loss of the whole investment, is unavoidable. Both reasons will cause at least a delay in the investment of income not spent. But this delay can be explained, as it always has been, in terms of well known concepts, while the concept of liquidity preference suggests a special subjective evaluation of liquidity that in my opinion does not exist.

This, however, leads to an important point. It may well be that capitalists will find a situation not conducive to investments if the interest rate is under a certain level, even if the risk on the investment is nil. The reason for this might be that the capitalists believe there may be a risk of which they do not know, and they prefer not to run the risk when the interest rate is so low it can be no compensation; or, even if they do not see any risk in the investment offered, they may, just as in other bargains, refuse to accept such a low reward, with the idea perhaps that this behavior will bid up the interest rate again. But in both cases it is not the liquidity that is preferred but the investment that is refused. The stubbornness of the capitalists will probably not endure if they can be persuaded that there is no risk in the investment (not even the risk of an increasing interest rate).

If in such a case we use the concept of risk (on this point, however, *cf.* p. 240) we are on familiar ground. If the interest rate that can be paid goes down because the marginal efficiency of the invested capital is reduced, and if, be it for right or for wrong

reasons, it is believed that the risk is too great in relation to the prospective yield, the capitalists will not invest, whatever their liquidity preference may be. In this process the reduction in the marginal efficiency of invested capital is decisive, and everything depends on it in Keynes' analysis as well as in the argument of other economists—especially Marx, who holds the same opinion though for other reasons (with Keynes' similarities to and differences from Marx's theories I shall deal later). It was emphasized, before Marx, by John Stuart Mill.

To sum up this discussion of two of Keynes' basic concepts: they intend to give the reasons why, in an economic system of growing production, *even with an absence of greater disturbances and shocks* (cf. p. 245), changes in the propensity to consume and in the marginal-efficiency-schedule in connection with the "liquidity preference" on the part of those who save, are mainly responsible not only for the business cycle but also for a state of affairs in which involuntary unemployment can prevail to a considerable degree and for a long time. I think that this trend of thought is correct. It would run on the same lines, however, if the propensity to consume were considered to be less variable than Keynes assumes, and if the capitalists' hesitation about making investments were the result of other reasons than their liquidity preference. The main reason for such hesitation lies in the going down of the marginal efficiency for new investments. If the "fields of investment" yield returns which are not only scanty but uncertain, the process will stagnate and lead to the consequences Keynes analyzes. It must be noted, however, that many economists question this tendency toward a decline in the marginal efficiency of capital. I may content myself with saying that our experiences during the nineteenth century, with its many inventions and with the opening up of new countries, seem to be no sufficient argument against this view of Keynes.

Keynes' analysis of this point is admirable, as is the whole book, in the brilliancy of its exposition and the provocative sequences of ideas, a masterpiece even in comparison with the other books

of this author. The salient point in this analysis seems to be that *every* increase in production is tied up with and dependent upon further investment. His explanation is that the new employment increases the aggregate income and thus reduces the propensity to consume. The same result can be reached, however, by a quite different reasoning. Every increase in production, stimulated, for example, by a reduction in the interest rate but restricted to an increase in producing consumers' goods, will increase the total output by a value greater (at current prices) than the total value of the new incomes of workers and entrepreneurs. The additional production will contain an equivalent for replacement, but in the form of consumers' goods. Now the entrepreneurs and the capitalists will usually not spend the whole additional income for consumers' goods, and therefore these goods, which correspond to the portions of income which tend to be invested, cannot be sold at all if investments are postponed. Furthermore if, for whatever reasons, replacements are not made, another portion of the consumers' goods cannot be sold. Or they can be sold only at lower prices, hence causing losses which would force out of business the weakest of the competitors. So we see that an increase in production can be expected only with increasing investment. This analysis, of course, does not cover the cases of an additional demand for consumers' goods originating inside or outside the market, as from dishoarding or from additional exports. In such cases consumers' goods production (under conditions of unused capacity) may increase without any additional investments.

Now I am doubtful whether such a deadlock would be inevitable in a process of growth if there were no greater disturbances. If a capitalistic system is working on the average to a satisfactory capacity, the gradual decrease of marginal efficiency will be very slow and the people who save will probably assent to a lower interest rate. Thus the supply schedule for capital will not prevent full employment, or a rate of interest will be established that on the basis of Keynes' theory can secure full employment. That

this assumption is not without justification is seen in the fact that even sudden reduction to very low rates, as in the case of conversions either of public or of private loans, is usually accepted by the holders, provided that the public believes in the security of its investment.

But the situation will be quite different if in the course of the industrial development conditions or opportunities suddenly change. If, as in the last depression, unemployment rises beyond 20 per cent, if at the same time production of consumers' goods falls off, if practically every industry works far below its capacity, even an interest rate of zero will hardly lead to investments. It is this case which offers the real problem; as Keynes demonstrates, even a reduction of wages will not help. But then catastrophes, I maintain, are not the result of the slow, steady forces which change the marginal-efficiency-schedule. They are rather the consequence of sudden shocks, which are so characteristic of our present period. Sudden dislocations of the export markets (as in England) or drastic reductions of costs (as in producing consumers' as well as producers' goods), interweaving with the general fabric of the business cycle and increasing its fluctuations, have led us to a situation which defies traditional methods of analysis. This situation, although it is described by Keynes, could not have developed if the process had been, as he assumes, one of continuous and steady evolution. Obviously under these conditions of violent disturbances no increase in production can take place: capital is not invested, even replacement is frequently postponed; there can be no increase in the production of consumers' goods as such an increase would swell the supply above the demand forthcoming from increased employment. Unless there is some incentive for producing producers' goods nothing can start. The incentives in such a case can be a new production on the basis of an important invention; or the opening up of new markets; or a new demand for workers not producing producers' goods (as in public works). There is no other way for leading to greater employment. The concepts of propensity to consume and liquidity

preference are based on an analysis of the same consequences, but they do not, I think, show how consumers' and producers' goods production are interlocked.

Nor does Keynes take into account certain new structural features characteristic of the present period. With the falling off in the rate of inventions creating new productions, with labor-saving and capital-saving devices increasing in number and efficiency, with the formation of closed national economic systems which are also in turn suggested by technical progress, with no new markets opened to the older industrial countries, we are faced with problems that again cannot be solved on the basis of theories which assume only slow and gradual changes. Keynes has failed to consider those very changes in facts which lead to the perplexities this book is intended to discuss. He has substituted for all these disturbing elements the factor of decreasing marginal efficiency. Neisser has already pointed out objections which can be raised against this thesis. Therefore I shall only repeat that this decrease would be very slow and therefore the system would be adapted to it. But how are we to cope with changes in the marginal efficiency if it drops below zero as a consequence of the dislocations I have mentioned? Then obviously the interest rate policy is no longer of any avail.

In this book of Keynes there can be found some interesting, though often deceptive, parallels to Marx's system. First of all, the process of production, taken as a whole, is considered to consist in two elements only: labor and interest. This view, incidentally, accepts the Ricardian assumption that rent on land is differential rent. As to labor, Keynes accepts the view that a certain quantity of skilled labor can theoretically be considered equivalent to a greater quantity of unskilled labor, but he gives no reasons for this assumption.

A second parallel to Marx is Keynes' discussion of the declining tendency of the interest rate, although the reason given for this by Marx is different. In Marx's view the interest rate declines because capital accumulates more quickly than labor, and

therefore the unpaid labor time, the only source of profit and interest, will represent a decreasing proportion of the accumulated capital value, even though there might be an increase in this part of the labor time which is not paid for. Keynes relies on the marginal efficiency of new investments—obviously a more flexible concept.

Third, in the views of Keynes as well as of Marx a specific relation must be maintained between producers' and consumers' goods production. In Marx the adequate relation is dictated, on the one hand, by wages, on the other hand by the unconsumed profits and rents; this relation depends upon the length of the working day and the efficiency of producing "wage goods." Subjective elements are ruled out, as always with Marx, or the psychology of the process is assumed to work according to the "requirements" of the system. Keynes, however, bases his analysis on the subjective motivations.

Fourth, Keynes as well as Marx sees the deep structural changes within the capitalistic system, but he envisions different consequences for the future. Marx considers the economic process always as also a social process. He maintains that the economic law, with its ruthless logic, will create a situation in which the single employer or worker, faced with destruction, will find himself not an autonomous personality but an element within a homogeneous social class which will act on the basis of its own psychology. This social reaction cannot change the economic law, but it may transform the system. Though Keynes would not rule out social revolution he believes that even with interest rates falling drastically the system could be kept going. This view might be due to the individualistic psychology which is at the basis of his argument.

Only isolated individuals, however, have to conform to the "economic law"; once they are united they react. Their reaction may be senseless and may lead nowhere, but it is impossible to argue with a class. A class will act rationally only if it is not threatened in its very existence. Once it feels itself endangered it will act on emotions, and thus an interest rate of one or even two per cent

can gnaw the very roots of capitalism. The reaction will be violent against anyone and any group or power which seems to be or can be held responsible for this decline of profits and interest rates. Therefore Keynes' hope that on the basis of the results attained in this book the way can be opened for equalization of income, for the determination of the interest rate by the state, and for publicly guided investments seems rather unwarranted. The average business man will always be possessed by the profit motive, and even if all entrepreneurs should adhere to Keynes' ideas I do not see how they could agree to measures that would deprive them of their returns as well as of their power. They will rationalize and act, possibly in a futile way; but they are bound to act as a class. Keynes makes the tacit assumption that their decisions are guided by theoretical insight. He takes it for granted that a theoretical insight can be grasped even if it means the destruction of a social position. This inheritance from the eighteenth century makes Keynes' views utopian—especially in countries which have not developed the art of compromise.

This optimism of Keynes is predominant. He believes that "it is ideas, not vested interests, which are dangerous for good or evil"—words which he puts at the end of the book to emphasize them as much as possible. But I think that on the contrary ideas have rarely changed the policy of a nation unless they were backed by interests or emotions. A rational analysis as such is not a force. European history, that of the last years no less than that before the World War, and domestic policy as well as foreign policy prove that ideas as such, even if accepted as true, weigh less than positions of power and of property. The ideas put forward by Keynes would entail a revolution in power and property, but we can hardly believe that mankind will accept a new economic and social set-up by persuasion.

A CASE OF MANIA WITH ITS SOCIAL IMPLICATIONS¹

A business man in his forties was brought to a mental hospital as a case of "manic depressive psychosis, manic phase." In short, he had suffered a stroke from which he had recovered quickly, except for some residua which, for practical life, were unimportant. After this he fell into a state of deep depression for some time, accompanied by suicidal ideas, followed by a state of high excitement. He was now irritable, loud and grandiose, with a tendency to assert himself at all costs and to attack as soon as he felt in the least offended. He was quite unmanageable. Through an attempt to understand the case it became possible to approach the human side of the processes occurring in that man. I shall merely mention, in a sketch, some factors of this case. To put the problem paradoxically, this man became a victim of the concrete clash of two different meanings of the term "equality," living a life exclusively shaped by a world which was determined by one of these meanings.

He was in the oil business, and owned a small independent plant which sold mostly to gasoline stations. Since he had to compete with the large companies he developed a high degree of efficiency in his organization, paying his workers lower wages than did the larger companies, and working them overtime in order to get his trucks on the road before those of his rivals. His men were out in the small hours of the morning in order to reach the stations first. Within his plant he tried to maintain a patriarchal emotional relationship with his workers, and by these methods he obtained good results. He was a very hard worker, and his business was his main interest. In this competitive struggle he had become somewhat ruthless, and was very proud of his independence. He enjoyed maintaining a spacious apartment in one of the best sections of New York, strove to dress well and to see that his family, too, took good care of their outer appearance. There were no particular hobbies or other interests that we know of. He was inclined to have a stubborn one-track mind and a certain lack of imagination and versatility. He was intensely attached to his business and would not easily change his situation. Rather stout, stocky, red-faced and warmblooded, he was also somewhat nervous and

¹ This study of a mental case is presented to the consideration of the social scientist as an example of the integration of the psychological and sociological approaches.—
THE EDITORS.

highstrung, showing a tendency to suffer from high blood pressure. He liked good food, was jolly, but always somewhat excitable, boisterous and loud, though never unduly so. He was satisfied with his private life. In business he was distinctly the boss, and a go-getter, although not unkind.

The "New Deal" came in. He was invited to sign the code of his industry. In his particular case this meant he would have to pay higher wages and would be restricted in the number of hours he required his men to work. Both changes were insupportable for his type of business, and to sign the code would mean ruin. He became infuriated and refused to sign. The only alternative he could think of was to fight against the change. He wanted his workers to "stick it out with him," and he appealed to them, explaining the situation as he saw it. He fought the authorities and the unions. He lost his fight, and his business was ruined.

The stroke followed.

During his illness most of his harangue was centered around his business and the NRA. He was utterly infuriated by what he considered the injustice done to him. According to his interpretation of the situation he, an honest worker, and a friend to his workers, was thrown out of business by a bunch of hypocrites who claimed to protect the workers, but actually, as was proved by his own case, helped the large companies against the small and independent man. He felt he was the underdog and deserved sympathy. He worked very hard and deserved the \$50,000 which he annually made. He was entitled to the fine life he led. What is life worth if you are out of business and cannot make \$50,000 a year? Who is the doctor! He makes perhaps \$2,000; he is a poor fellow, a pauper, a contemptible "piece of cheese." Should he, the business man, be expected to associate with and be considerate of the other patients who belonged to a lower social level? He was supposed to be their boss. He wanted his rights. He was ready to fight all of them. The world had wronged him; the world was going to make good. He, the great business man, would take what was due him: money, women, the nurses. He would make a donation to the hospital and kill its inefficient "president" . . .

To put the case as he saw it, NRA was unjust; it threw him, one of the few remaining independents, out of business. It was not his fault that the large companies had forced him into an unfair competitive struggle. He did not want to cheat his workers; he was their friend. If he cheated them it was because he was forced to do so in order to live. Everyone's chances are equal. He wanted to use his chance, but

the NRA took it away from him. All he wanted was non-interference. NRA denied him his constitutional right to an equal chance.

One can call this the attitude of a rugged individualist. The authorities claimed that this man underpaid his workers and exploited them. In other words, he did not give them their own chance of equality with respect to the recognized minimum standards of life. He denied the rights of his fellowmen. This contention may, roughly, be the point of view of "social consciousness."

This man was apparently not only a business man, but a "nothing-but-business" man. His world was altogether centered around his business, his plant, his own way of making a living. This determined his attitude toward life, and his matter-of-course understanding of the world. To understand such a point of view as was held by the authorities of the New Deal was impossible for him. Within his world such ideas had no place; they did not fit in and lay beyond its limits, beyond the scope of his thoughts. Since he was entirely centered by this world, he was unable to look at such a theory in an objective way. The facts to which this theory pertained, such as the private life of a worker, had no relevant place in his world; instead, he could see such thoughts only in relationships determined by his world. These relationships meant simply: these are unjust disturbances.

His complete fixation on and determination by this world already existed before his illness. It made his whole life the life of a "business man." He wore the clothes of the "business man," rented the apartment appropriate for the "business man," had the manners, the style of the "business man" and his evaluation of other people and other professions was, as a matter of course, the evaluation of the "nothing-but-business" man. In this respect the psychosis only revealed and emphasized what was already there, but essentially did not add anything new.

This closed world was suddenly destroyed. Realities which originated outside his sphere entered and became powerful factors: the laws of the New Deal. The particular reasoning which entered from the outside did not fit into this world, and could not reasonably be accounted for; it worked simply as a disturbance. It violated the rules, the structure and dynamic laws of this world, and therefore seemed to be a true injustice. Just and unjust were defined in relation to his own system of reference, his business world. He had not done anything unjust. He simply followed the rules of the business world and therefore it was to him an act of wilfulness to punish him because he obeyed the laws of his own system.

The idea of starting anew, of getting a new job, did not occur to him. He was simply distressed; this was the depressed phase. Later he tried to assert himself as he understood himself as a part of this world. This was the manic phase. It was obvious, however, that he was at bottom keenly aware of the precarious situation, aware that actually he was no longer a business man and that this continuation of his world was artificial and in constant jeopardy. His attack was a form of defense and he was hurt and afraid.

Why was he so unable simply to accept the situation, to face it and to try to find some way out? Why was it that he could not find a new world?

It is indeed astounding that an apparently normal human being can be reduced to nothing but a business man, and his world to nothing but a business world. This appears to be a rather narrow world and a rather poor sort of human being. The process of reduction to this shape, which must have taken place throughout this man's life, appears to have been some sort of psychological amputation, a more or less voluntary crippling.¹ Such a process seems to be artificial. No one is born to be a mere oil man.

For others, to whom nature, love, play and diversion are realities as genuine as business it is hard to realize what happened during this man's development. He was born an average human being, with the average person's needs and requirements, which are greater and richer than those he recognized. He did not have the time, or perhaps the necessary psychic and moral strength and intelligence, to recognize and resist the dangerous force of modern business life. It absorbed him completely, and everything else became unimportant and remote. He was remolded into a business man. All his other needs and requirements, the human part of him, became peripheral, and were no longer dynamically active. Thus he lived in a sort of psychic strait-jacket, in an artificial shape. There may be some connection between this and the fact that before his illness he was nervous and high strung and had a tendency to suffer from high blood pressure; he reached a precarious state of equilibrium since he lived under the lasting inner stress of this deformation and had to adapt to it. For the same reason

¹Crippling here means the inability to perceive facts in any other than the one-sided way which was determined and centered by the rigid structure of his special world. This is the extreme opposite to open-mindedness. Facts cannot be perceived as they demand to be perceived, objectively and with open-mindedness. This happens very often in normal persons, but in this case it jeopardized the dynamic equilibrium which is an essential factor of sound behavior.

he was somewhat on the defensive, loud and pretentious. This was a somewhat unstable and immature psychological state of affairs, with the latent danger of a crisis as soon as events should endanger this pseudo-equilibrium. This crippling process certainly developed slowly and unobtrusively throughout the years; he was not aware of it as long as it did not cause any acute inner disturbance, and he was able, in spite of the strain, to keep up the artificial state to which he was accustomed.

One cannot exist without a world. We are made to be always part of a world. If it becomes exceedingly limited and small, then it is all the more important that this rudimentary world be stable and secure as the indispensable "framework of reference," in which alone one can find orientation, a clear line of conduct and a satisfactory understanding of oneself. If this framework of reference, in such a precarious state, is suddenly destroyed, and if there is, so to speak, no other territory, no other part of the world into which one may temporarily retreat, then something is bound to happen which is quite analogous to what happens if our spatial framework of reference¹ is suddenly destroyed. This manic spell actually reminded one of the behavior of a dizzy man who frantically tries to secure a framework which affords him secure anchorage and orientation.

The very reduction of the world, and of himself as a part of it, made the rudiments dynamically important; when he lost his business he not only lost part of his world; it was attacked in its center. After the crippling process had taken place he was no longer able, as others might be, to go into a public library and read a good book, or to turn on the radio and listen to a good symphony, or perhaps to go to church and pray. He simply was lost, and that accounts for the violence of his reaction.

This man was molded by the very powerful forces of his life into this state of being nothing but a business man, living in a reduced world. He did not get what one has a right to demand, the right to develop as a natural, full, rich, open-minded human being with a natural and proper attitude toward the events in the world. The right to grow up in a natural and open way, to develop one's possibilities according to the "law in us" seems to be essential to man, and does not include the tendency to such narrowing.²

¹ Cf. Koffka, Kurt, *Principles of Gestalt Psychology* (New York 1935) p. 389.

² This right seems to be valid as long as the requirements of the individual are not incompatible with the requirements of the embedding social field, as is the case in some criminal instances.

Some features of this case are connected with the problem of "equality." In our discussion we have encountered three different meanings of this term. First, the conception of equality as it was defined in this man's business world is the equal chance to make a business profit and not to be interfered with in this occupation by the government or anyone else. The second meaning is the right of every man to get the necessities of life, with its consequences on his fellowmen and the state. This is the meaning of social consciousness. The third meaning is the right to grow up and develop according to the law within us, to unfold our human possibilities and reach the state of good equilibrium required by our system and its essential systemic functional needs; this is the right not to be unduly exposed to the danger of being crippled and molded into nothing but a function of a pauperized, empty, artificial and one-sided world, such as that represented by this man's business world and many other worlds in modern times.

ERWIN LEVY

Hastings-on-Hudson

THE PLACE OF ALFRED WEBER'S *KULTURSOZIOLOGIE* IN SOCIAL THOUGHT¹

Alfred Weber's *Kultursoziologie*, although influenced by Max Weber's sociological work, is a very personal approach to a sociological synthesis of the historical process.² This work is the outcome of twenty-five years of concentration on the subject. Since Weber first formulated his sociological concept of culture³ his work has been a series of attempts to clarify the theoretical problems involved and to apply his theoretical tools to specific historical subjects.⁴ These studies constitute the background for the present comprehensive work, which tries to suggest a new sociological approach to the historical process.

The work comprehends the whole process of history, from primitive societies to the revolutionary movements taking place today in all spheres of life. After a general survey of primitive societies he analyzes very carefully the social and historical structures of China and India and gives a sociological interpretation of the civilizations around the Mediterranean which influenced the origins of Greek thought and feeling. His analyses of ancient Persia, Babylonia, Egypt, Israel and Greece show a high degree of intellectual understanding as well as of intuitive penetration of these cultures. The suggestive analysis of the Russian world reveals the continuity of its revolutionary evolution, and his description of the structural transformation of Japanese society and its interrelations with the western world is an interesting attempt in the realm of sociological forecasts. And his interpretations of the western past—the decline of Roman civilization, feudalism, the rise and growth of industrial society with all the implications involved—reveal Weber as a sociologist who has experienced the historical process as one stratum of our own present life.

¹ Weber, Alfred. *Kulturgeschichte als Kultursoziologie*. Leyden: Sijthoff. 1935. 423 pp. Paper, 13 RM.; Cloth, 15 RM.

² Cf. H. Becker's review of this book in *American Sociological Review*, vol. 1 (April 1936) pp. 310-15.

³ *Der soziologische Kulturbegriff, Verhandlungen des 2. Deutschen Soziologentages* (Tübingen 1913). In this connection cf. R. M. MacIver's distinction between culture and civilization as sociological concepts in his *Modern State* (London 1926) ch. 10, and *Society* (New York 1932) ch. 12.

⁴ "Prinzipielles zur Kultursoziologie" in *Archiv für Sozialwissenschaft und Sozialpolitik*, vol. 47 (1920/21); "Kultursoziologische Versuche" in *ibid.*, vol. 55 (1926); *Ideen zur Staats- und Kultursoziologie* (Karlsruhe 1927); "Kultursoziologie" in *Handwörterbuch der Soziologie* (Stuttgart 1931).

The presentation of this universal process is not based upon any dogmatic presuppositions, hence there is no attempt to find a unity in the evolution of mankind. The empirical analysis shows only different historical structures. Whatever may be the general trends of interrelationship in the economic, technical or cultural spheres, the individual patterns of culture develop within their own gestalts. This presupposition of the structural character of the historical process is not theoretical or metaphysical but, like gestalt psychology itself, is based on concrete and empirical observation. In fact it was in opposition to the dogmatism of the first epoch of sociology that Alfred Weber's work developed. Sociology from Comte to Spencer was an attempt to synthesize empirical analysis of historical institutions with a metaphysical dogmatism concerning the dynamics of history—a philosophy of progress in different varieties. Alfred Weber's work is an attempt at a new and different synthesis. He frees the historical process of metaphysical dogmatisms but there is another metaphysical element in his own conception, radically different from that of the earlier sociological school. Repeatedly he objects to the assumption which underlies the affirmations of this school concerning the meaning of the historical process as a whole—this assumption being a hypostasis of one or the other sphere of the historical process. What we must know is not the meaning of the historical process but the different types of human development and their revelation of the constant elements of human existence. Thus arises Weber's chief distinction between the social process (*Gesellschaftsprozess*), the process of civilization (*Zivilisationsprozess*) and the process of culture (*Kulturbewegung*).

Often Weber emphasizes that it is not the tendency of his conceptions to dissolve the unity of historical life into a sum of various abstractions. Rather the abstractions signify the different forces which constitute social life as a whole. His fundamental sociological concepts are concerned with the three primary phenomena which constitute social life: order, domination and meaning. These phenomena are realized in historical forms, because life can only be thought of as historical. Within the historical forms of the general social attitudes they are transhistorical, because life is always transcending itself. Simmel's assertion that life is more life and more than life is at the basis of Weber's approach (in Pascal's *Pensées* we find the same idea, almost in the same formulation).

In terms of this threefold dynamics of life social process has to be defined as the general social trend, at the basis of instincts and will-

impulses, toward order, domination and social integration in the economic and political sphere. In the evolution of this process a limited variety of forms and types of social organization may be found which recur throughout history whenever the formal structure of the situation is the same or similar: for example, the general types of stabilization, disintegration, transformation and crisis. The process of civilization, however, in contrast to this dynamics of will underlying the social process, is based upon the continuity and irreversible progress of reason. Civilization represents the human effort to conquer the world of nature and culture by means of intelligence in the spheres of technology, science and planning. The role of reason in civilization was overemphasized by Comte and the positivists as the general denominator of the historical process; Marx combined it with the economic process as the primary force and dynamics of history. Social process and civilization together constitute the elements of circulation and progress which earlier sociological schools had developed. Culture, in distinction to social process and civilization, is based on the realization of spirit, on philosophical and emotional self-realization. Certainly this too depends on the potentialities of development in a given moment, but at the same time its responses reveal the creative power of human thought and soul. Hence Weber emphasizes the spontaneity and creativeness that are inherent in culture. Whatever may be the limitations of human behavior patterns as they are revealed in the social process and in civilization, in culture they find freedom and spontaneity. Thus there is no place in Weber's sociology for any kind of determinism, and he declares that it was in combating an economic and biological determinism that the idea of his *Kultursoziologie* arose.

It is from the basis of this analysis that we have to examine the relationship between history and sociology in Weber's work. He has recognized Dilthey's radical insight into the historical character of life, but he approaches the historical world with general sociological concepts. Within the variety of historical experiences he finds types of social behavior patterns, typical attitudes and recurring situations of growth, revolution, decline — typical patterns of conduct within the individual constellations of historical conditions. This interpretation of history as the indissoluble unity of general human attitudes and their particular realizations makes clear the title of Weber's book. *Kulturgeschichte als Kultursoziologie* means the conquering of isolated interpretations of historical causation and abstract sociological approaches. Universal sociological concepts are so abstract and empty

that they have to be corrected by individual concepts adequate to the various historical realizations. Max Weber's work, especially the chapter on the types of domination in *Wirtschaft und Gesellschaft*, reveals the problematic character of sociological concepts applied to the material of history; Alfred Weber chooses the opposite method and presents his material historically and not systematically.

This endeavor expresses a new attitude of thinking, breaking through both the historicism and the sociologism of the past and revealing a new wealth of human experience and thought. Whatever may be the shifting powers in the process of history, they reveal in their particular character the constant elements of human existence. In the dynamics of the historical process we are able to understand the development of the different functions of human nature, which realizes itself only in historical situations. Alfred Weber's distinction between social process, civilization and culture signifies the elasticity and tension of human life. Between the mechanical reactions of social responses and the spontaneity and creative power of mind there are many interrelationships in the historical process. The merit of Alfred Weber is his emphasis on this interrelationship; here we find the individual character of his work. It is a function of his approach to prepare the way for a science of man, the empirical part of a philosophy of existence.

Thus we are enabled to understand the transhistorical and trans-sociological character of certain of Weber's concepts which attempt to create a new type of sociological ideas. The concept of primary constellation (*Anfangskonstellation*), for example, is to be interpreted as the coincidence of a series of conditions and situations which shape the character of a nation. It is to be regretted that no western language has been capable of translating the admirable Greek term *kairos*, which means the creative power of a historical situation. Weber's term attempts a translation, although in a very limited sense. He gives many examples showing that a situation of crisis may shape the national character for centuries. Thus the difference in the developments of magical cultures is determined by the historical moment when military strength was imposed on their peoples, and by the character of the conquerors. In the same way we can discover in the different basic revolutions the elements which have shaped the national characters throughout the western world. And Weber's "historical entelechy" is no metaphysical concept but a term signifying that in spite of the different conditions and causations of a national character there are elements which cannot be dissolved. Whatever may

be the factors determining this national character it becomes a power of its own, integrating the variable and constant elements into a social shaping force.

Within the variety of historical institutions the kaleidoscope of conditions can be analyzed, typical attitudes and structures can be discovered. With this combination of historical and sociological concepts it is even possible to forecast which potentialities of human spontaneity and creativeness have a chance to be developed or will be prevented by a given set of conditions. The limitations of sociological knowledge must be kept in mind, however. Every genuine sociological analysis deals with the topography of the conditions which make possible the development of human nature, but Weber knows very well the limitations of these empirical methods. The value of his approach is in its trend toward a very concrete analysis but with full consciousness of the metaphysical problems involved. Hence it is symptomatic that we repeatedly find the term "immanent transcendence," characterizing the dynamics of the historical and sociological process. It signifies the fact that spiritual and ultimate values are immanent within the process of history, not existing in a dualistic abstract realm beyond human life; they are interwoven in human conduct itself and it is they that create man's unique power of transcending mechanical responses to the conditions of environment in the direction of a free and creative spirit. In Alfred Weber's new sociological approach this is the philosophical background.

It cannot be the task of a review to examine the evidence for the different particular analyses in this book. Weber himself states the imperfection and imperfectibility of his undertaking and particularly the weakness of the interpretation of modern times. But the scientific heroism of his approach must be emphasized. Weber had the moral courage to finish this book, knowing very well its weaknesses and imperfections. He is an impressive example of the fact that there are situations in scientific thinking in which the work of pioneers is more fruitful than specialized perfection. As pioneers open the woods and break through the wilderness, so Weber pushes through the tangled mysteries of history with his sociological concepts, finding new perspectives on the intricacies of social causations and conditions.

This moral quality of the book is especially significant in an epoch of growing intellectual mechanization. And equally worthy of example is the discrimination which enables Weber to know the borders of empirical analysis and the starting point of ontological problems. Although throughout the book he does not leave the empirical

method, he knows very well that the mechanical responses represented by social actions are never able to explain the complexity of social dynamics. He is aware that his own empirical analysis is based upon and constantly recurs to a metaphysical position. His concept of immanent transcendence itself reveals his work to be the sociological and historical aspect of a philosophy of life and existence, and hence his work has to be correlated with this type of philosophy. Because he is so excellent a scholar he reaches the intellectual discipline and modesty which are the characteristics of outstanding thinkers.

The shaken world of modern crisis produces ever anew types of thought which attempt through creative intelligence to integrate the variety of scientific experiences. It is a sociological law that situations of crisis and transformation give especial opportunity to develop such responses of the human mind, the only integrating force in the disintegrating world. There is today a danger that the spontaneity and the creative potentialities of human nature will be destroyed by the growing processes of mechanization and social planning, and this outstanding synthesis of Alfred Weber's is a positive response to that challenge. This approach to the problem of modern civilization and culture is distinctly European; it cannot be a natural American approach. The book is a representative document of one of the greatest epochs of transformation. It presents the unity and tension between the analytical and the synthetic qualities of modern thinking, combining the analytical achievements in the social sciences with the recognition of their borders, and the knowledge of the different historical structures with Weber's individual spontaneous imagination. This work matured not in twenty-five years but in twenty-five hundred; it has made the heritage of the western past a living possession, not a pile of dead material. Even Weber's understanding of the constant and variable elements of social behavior patterns is not only an individual merit, but is the achievement of two centuries of social and historical thought in the west, an achievement well worth preserving.

And it is no accident that within the same half decade were published other works, notably those by Toynbee¹ and Rosenstock,² which

¹ Toynbee, Arnold J., *A Study of History*, 3 vols. (London 1934). Cf. Postan, M., review of Toynbee's *Study of History* in *Sociological Review*, vol. 28 (Jan. 1936) pp. 50-63; Oakley, Hilda D., "Philosophic History and Prophecy" in *Philosophy*, vol. 11 (July 1936) pp. 186 ff.; Holborn, Hajo, "A New Study of History" in *Social Research*, vol. 3 (February 1936) pp. 105-08.

² Rosenstock, Eugen, *Europäische Revolutionen* (Jena 1931), and *Revolution als politischer Begriff in der Neuzeit* (Breslau 1931).

represent the same trend of thinking and similar methods. All these works are alike in their attempts to free the sociological method from the abstract and isolating thought of positivism, and to combine the historical and the sociological approach in a new unity of social thinking. Toynbee's criticism of the categories of race and environment is based on his realization that the historical process can never be understood with such abstract denominators. His new categories, particularly "challenges and responses," are historical as well as sociological. The most important similarity between his work and Weber's is to be found in his challenge to any mechanical interpretation of the social process and in his emphasis on the spontaneous and creative vitality of man. Rosenstock reveals the complex structure of revolution as a sociological phenomenon. He points out very clearly the interrelationship of the different strata in the dynamics of history and the unity of the constant and variable elements in the crisis of revolution.

Hence we may say that Alfred Weber's work is an expression of the general revolt against the spirit of sociological positivism. It is an attempt to free sociology from the abstract rationalism of the social sciences and to discover new categories and methods which will be capable of embracing the complex totality of life.

ALBERT SALOMON

BOOK REVIEWS

HORKHEIMER, MAX, ed. *Studien über Autorität und Familie*. [Schriften des Instituts für Sozialforschung, vol. 5.] Paris: Librairie Félix Alcan. 1936. 947 pp. 100 fr.

This volume testifies to the advantages of teamwork among the specialists in the social sciences. Social philosophers, psychologists, historians, lawyers and sociologists have contributed to the book. The analysis of the subject is therefore exceptionally rich in detail and diversified in approach. The integrating element is provided by a common philosophy of social life; it is implied in almost all the individual studies and made explicit in the three theoretical essays with which the volume opens. Max Horkheimer, formerly professor of philosophy at the University of Frankfurt am Main and director of the Institute for Social Research, has outlined the basic conceptions of history and society from which the relation between authority and family derives its significance. Erich Fromm has developed the psychological implications of the subject from a psychoanalytical point of view. Herbert Marcuse has discussed some important currents of philosophical thought in the history of the problem, focusing his analysis on the conceptions of freedom and necessity: Luther and Calvin, Kant, Hegel and Marx, and some anti-revolutionary thinkers of the nineteenth century are treated, ending with general remarks on the transformation of the "bourgeois theory of authority" into the ideology of the totalitarian state.

The second part of the book is composed of reports on various empirical researches which were conducted by the Institute in several European countries. One study is based on an extensive questionnaire pertaining to the life situation of 1150 manual and salaried workers. The material has been analyzed in a preliminary fashion with special emphasis on the attitudes toward social change. The main general results are a distinction between three psychological types—the revolutionary, the authoritative and the ambivalent character—and sufficient evidence for consistency of verbal attitudes in disparate domains of life. If a part of the answers a person gives is known the rest is predictable. The outcome of this study is somewhat meagre. Neither the method nor the interpretation of the material reaches the standard of the investigation among Swiss adolescents on which Paul Lazarsfeld and Käthe Leichter report. Of special interest are their findings on the differences of authority in different social classes. Other studies include reports and interviews of experts concerning changing standards of sexual morality and the influence of the economic crisis on family

life. Also a study was made in the United States, investigating the reactions of the unemployed toward relief. The attempt to discover structural psychological types, which has been a general aim of many empirical investigations, has led the analysts in this study to a subdivision of the "matricentric" type into the "baby type," the "parasite type" and the "active motherly type." These concepts perhaps do not deserve the attention which they arrest, and in view of the trial character of the study it may be premature to judge about them; but the reviewer cannot refrain from mentioning that he finds this sort of psychology mildly comic.

The third section of the book contains a series of monographs devoted to special aspects of the problem. An attempt to give a critical account of this part surpasses the competence of any single reviewer: the contributions range from anthropological subjects to the modern youth movement, from mediaeval social history to specific legal aspects of the present family. Reference should be made, however, to a few papers. Karl A. Wittfogel treats of the "Economic-Historical Foundations of Family Authority." This essay is particularly of methodological importance. It attempts to interpret the relations of authority in various primitive racial groups in terms of the prevailing organization of labor. Ernst Manheim's study, a comprehensive abstract of a larger work on the economic and social history of the authoritarian family extending from primitive times to early capitalism, partly overlaps with Wittfogel's essay. One could wish to see some of Manheim's sociological concepts, especially that of "precarious activity," developed in their broader theoretical implications. Kurt Goldstein has contributed "Observations on the Importance of Biology to a Sociology dealing with the Problem of Authority," one of the most valuable and most challenging articles of the volume. The paper, which is implicitly at odds with the underlying philosophy of the book, incidentally adds a new idea worthy of serious consideration to the present discussion of the middle classes. In view of the fact that this discussion increases in monotony as it swells in size, Goldstein's paper is very timely. Many papers in this third section are published only in the form of abstracts, a technical necessity to be regretted, especially in the case of Gottfried Salomon's contribution on "Ideas and Data for a History of the Modern Family in France." The volume concludes with eight articles on the literature, and abstracts in French and English are published as an appendix of some seventy pages.

Throughout the book the family is conceived as an institution which generates and perpetuates submissiveness. Since every author-

ity, political or otherwise, presupposes explicit or tacit acquiescence on the part of those who are subjected to it, the question as to the socio-psychological origin of this acquiescence is basic and penetrating. The answer that the family is important in this respect is not so alien to American sociology as the terminology of the German scholars might sometimes suggest. Arthur W. Calhoun, in an article on the American literature in the field, declares that "the role of the family as an agency adjusting personality to an authoritarian social order is generally recognized" (p. 805). Nevertheless there is originality in the approach of the Institute for Social Research. It lies in the combination of a resolute anti-authoritarian philosophy of history and the opinion that not only some marginal cases but authority as such can be reduced to what Erich Fromm calls the sado-masochistic character.

The reviewer has been doubtful as to the value of Freudian psychology for an analysis of social phenomena. He must confess that the performance of Erich Fromm has not removed his doubts. Despite the fact that Dr. Fromm tries to rid his method of its unhistorical implications, it is more interesting to search in his study for the methodological and psychological reasons for the wholesale denial of authority as one of the fundamental phenomena of social life than to study the futility of this denial in detail. Incidentally, none of the findings in the second section depends on acceptance of the psychoanalytical views.

There are some aspects of the problems of which a more thorough consideration might have prevented the analysts from overrating the validity of their dogmatic assumptions and from reaching their conclusions too quickly. Nowhere in the book has authority been clearly dissociated from related phenomena. It is liberally identified with leadership and coercion, domination and the force of tradition. It is sometimes understood as authority of persons, sometimes in the very broad sense of the pressure of circumstances. Some formulations even suggest that the reader is to understand as authoritarian every act which is not the result of responsible judgment. This indiscriminate use of the concept disguises the limitations of the hypothesis that it is the family which molds the patterns of authoritarian and authoritative behavior. Even if one accepts the rather bold idea that the parent-child relationship is the psychogenetic *sine qua non* of authority in general, one would still have to inquire into the hierarchy of non-familial authorities in society and the place of family authority within it. The case is clearly one of a plurality of authorities, loyalties and deferences, which may be in conflict with one another or may exhibit some form of mutual adjustment. The place of family authority

within this plurality of authorities varies in different societies, that is, its bearing on other authorities, political or otherwise, can be adequately understood only with reference to the specific social structure from which family authority derives its varying significance. The family may strengthen the political authority, as is well illustrated by Wittfogel's treatment of the family system in ancient China. But in another situation, for example in modern dictatorships, the political authority may try to control and restrict the influence of the family on education. Not that these cultural qualifications are entirely disregarded in the book; but they are not in the center of the discussion and in any case they conflict with the psychoanalytical methodology. A psychology which is fascinated by Oedipus and his indeed most unfortunate destiny must tend to neglect this problem. A historical survey shows that social organizations with the most rigid discipline on an authoritarian basis tend to monopolize authority to the extent that they become indifferent or inimical to the family. In order to understand this phenomenon one has to view the family as an institution which splits loyalties and distracts deferences at the expense of other authorities. Highly disciplined armies, monasteries, political and cultic *Bünde*, some utopian communities with strong authoritarian claims, tend to tolerate no competing authority. They are or tend to be monosexual and not rarely come to tolerate homosexuality.

In the preface the editor states that the Institute plans to publish more on the subject. It is to be hoped that some of these problems will be taken up in other studies. Also the history of ideas, so well begun by Dr. Marcuse, calls for supplementation, not only, as the editors mention themselves, with respect to seventeenth and eighteenth century philosophy; even more important is a consideration of Catholic teachings on both authority and the family. Their neglect in the present volume is perhaps the most regrettable omission in so ambitious an enterprise. In this connection it will certainly have to be noticed that the bearing of Protestantism on the authoritarian structure of the family cannot be understood in terms of the changing economic and social order. The authority of the father was increased in the Protestant family for religious reasons; he assumed, so to speak, spiritual functions formerly performed by the hierarchy of the Catholic church. Various scholars have analyzed the consequences of these trenchant changes on the rise of the modern public and on literary production, so that further analysis of this problem could draw upon well established results of sociological and historical research.

HANS SPEIER

ROBINSON, EDWARD STEVENS. *Law and the Lawyers*. New York: Macmillan. 1935. 348 pp. \$2.50.

This book is the candid and captivating tale of a travel experience, the excursion of a psychologist into the realm of law. Lawyers are constantly honored by the visits of alien travelers who inspect the outmoded features of the legal systems, the formalism of legal science, the conservative bent in the legal mind. After the inspection proposals are laid down for the colonization of that barbarous realm in the hope of lifting it up once and forever to the exigencies of modern life. Philosophers have been since immemorial time the most frequent and unwelcome visitors; but in the last few decades their example has been followed by sociologists, economists, anthropologists, psychoanalysts, biologists—without counting the seasonal incursions of noble souls. To make things more complicated, many lawyers manage to reach some distinction by themselves behaving like visitors and talking law with the foreign accent of sociology or psychoanalysis. But if more men of good will, like Professor Robinson, would inspect the problems of law, quite a number of misunderstandings might be cleared away and many a border line speculation halted.

Yet Professor Robinson started his inquiry into law with a heavy load of common prejudices against lawyers: all is wrong in the legal mind that is slow and traditionalist and out of pace with the modern tempo. To be "modern," "progressive," "forward looking" seems to him the greatest virtue in science as well as in life; the traditional locution of dynamism and pragmatism is conspicuously displayed in the first chapters of his book. The lawyer should be, the author never tires of repeating, a social engineer working for the greatest efficiency of society. We owe to Dean Pound the vogue of this expression "social engineer"; and certainly the services rendered by Dean Pound to American jurisprudence are so outstanding that they may counterbalance the nuisance that this image has occasioned. I fail to see what new meaning is added to the function of lawyer by linking it to that of a designer or a driver of engines, unless it be the benefit of extending to lawyers the graces of the Veblenian mind.

The social engineer, Professor Robinson adds, should be educated by a naturalistic science of jurisprudence which would observe and compare the phenomena of the legal world just as natural science does those of the natural world. But lawyers are men; even judges, it has recently been discovered, are men. And also the active subjects of law are men. Therefore the science that should direct the construction of a naturalistic jurisprudence is psychology. But which brand of

psychology, Professor Robinson asks. He seems to have no great use for any of the established schools; he does not see psychology as necessarily linked to behaviorism, psychoanalysis or gestalt. "The essential feature of psychology is a persistent intellectual curiosity about the fundamental and general characteristics of human nature" (p. 99). This is hardly a definition of a science, but it is certainly a good program for an intelligent and open-minded approach to moral science. To this program Professor Robinson proves splendidly loyal in the constructive part of his book.

His analysis of how judicial deliberations and legal rules are worked out in the legal mind can make clear to the lawyers themselves the essential feature of their intellectual routine and the hidden aim of their ritualistic formulae. The importance of legal fictions is brilliantly explained, with a definite refutation of the trivialities so frequently repeated by conscious or unconscious Benthamites. The more the author proceeds in his investigation of the legal world, the more he seems to be impressed by it. In the first chapters he sides with the layman against the jurist, but in the following chapters he presents with vigor and earnestness the case of the jurist against the layman. He realizes fully the essential characteristic of legal work, which is a ceaseless mending of what is torn by the accidents of life, an attempt to foresee what at the moment of its happening appears unpredictable, a steady and uncomfortable moving against the stream. If toward the end of the book Professor Robinson had reexamined his favorite metaphor he would have realized that the lawyer cannot be a social engineer. If there is any social engineering at all it is entrusted to politicians. The lawyer is the repair man, even if he happens to be Justice of the Supreme Court of the United States.

Unfortunately the trip of a psychologist into the realms of law had to come to an end. The last chapter has all the sadness of a return to old things and old prejudices. "The most devastating criticism of a foolish social custom is the simple demonstration that it is only a custom" (p. 319). I should like to be more sure about the devastating results of denunciations and criticisms. I am afraid, on the contrary, that the recognition of foolishness in legal and social customs marks only a new starting point of psychological and philosophical inquiry. Professor Robinson has reached a golden point: he declares that the legal ways of thinking are not those of the naturalistic sciences. He might have added, "Neither are they the ways of the logical sciences, or of the moral sciences." What ways are they? Is there an independent sphere of law appearing from the outside to be all packed with fool-

ishness and contradictions, yet with all its absurd features essential to the life of society? What is the inner dynamics of the relations between facts and laws? Professor Robinson's adventure has taken him very near to this vital knot of problems. If he will again visit the zone where he has collected such a good crop of observations he will give very relevant contributions toward a new approach to those problems. He is not the only one in this country who, led by scientific curiosity into the field of law, has proved how lively debated are now the problems of legal philosophy in America. Foreigners are frequently misled because some of these legal thinkers shrink from being called philosophers. But I have on my desk some new books which, with other recent publications, make me consider whether the center of the most productive thinking in legal philosophy is not shifting from France to the United States.

MAX ASCOLI

IVERSEN, CARL. *Aspects of the Theory of International Capital Movements*. New York: Oxford University Press. 1935. 536 pp. \$5.

The author of this work presents a critical review of the history and the recent development of the theory of international capital movements. He offers a fair evaluation of the international discussion and provokes few objections as far as the literature is concerned. A final chapter summarizes the theory in rather didactic fashion.

And yet the work does not entirely satisfy. There are, on the one hand, too many tiring repetitions resulting from the way in which the book has been planned, and on the other hand only incidental mention of important questions. In dealing with the verification of the theory the author scarcely more than summarizes the work done and stimulated by Taussig, Viner, Ohlin and other authorities. This is a book on books, lacking an original, realistic touch. The mechanism of international capital movements works quite differently under different economic constellations, but these are not analyzed by the author. For example, prewar capital transactions from the industrial countries to the agrarian countries, and the interest payments of the latter, occurred at a time in which the industrial countries with their growing population increasingly required the foodstuffs and raw materials produced in these debtor countries. And the debtor countries needed for the development of their means of communication and their industrial equipment products exported mainly by the creditor countries. Capital transactions among the industrial countries were predominantly "equalizing" movements, through which minor fluctua-

tions in the balances of payments were adjusted. In the postwar period, however, "genuine" capital transactions among industrial countries occurred on a large scale, necessitating quite new tasks of international adjustment, an adjustment which was not in harmony with the trend of international trade. The author mentions occasionally other factors of the economic environment which influence the working of this mechanism, such as the existence of monopolies, cost rigidities, tariffs, or the existence of unused capacities, but he does not explain what is the real importance of these factors for the actual capital transactions.

The author criticizes such phrases as "England's capital export to Denmark," when they are not understood as transactions between individuals residing in the respective countries. This is quite right, of course, and yet the nation to which a borrower, for instance, belongs may have more importance than as a mere determination of residence. A careful creditor who is going to invest capital in a foreign enterprise will nowadays examine not only the quality of this particular enterprise but also the entire economic conditions of the country in which it is located. Experience has proved more than sufficiently that individual solvency and the ability to transfer from one country to another country are not identical. In this work all problems of governmental policy or of the policy of international bodies (such as the Bank for International Settlements) concerning capital migrations are almost entirely disregarded. So also are the manifold relations between capital movements and foreign policy. The theoretical treatment of triangle transactions is another part of the discussion which is scarcely adequate.

Perhaps I am doing injustice to the author by mentioning those points which he did not treat instead of emphasizing the valuable and reliable information he supplies on the literature, for which every student of the subject will be grateful. But it is the size of this monumental work which provokes the desire for completeness. The author himself quotes Taussig's statement: "Until we test and verify the hypotheses, we have no theory of international trade; we have no more than prolegomena to a theory." Understood in this light the author's theory of international capital movements remains, at least partly, "prolegomena." It will be very helpful in preparing the tools for an analysis of international capital movements, but it does not show how to use these tools under the present economic and political conditions.

GERHARD COLM

WOOD, MARGARET MARY. *The Stranger. A Study in Social Relationships*. New York: Columbia University Press. 1934. 295 pp. \$4.50.

This valuable study on the sociology of the stranger fills a gap often felt in the field of research. It is a province which has been neglected by social scientists, despite its particular significance for an understanding of American life. Even outstanding collections of concrete material, like the classic *Polish Peasant* by Thomas and Znaniecki, are no substitute for a systematic analysis of the phenomenon. It is significant that Dr. Wood had to refer to Simmel's brilliant "Exkurs über den Fremden," a brief essay published in 1908. Her concept of the stranger, however, is broader than Simmel's. The phenomenon, Dr. Wood suggests, is determined not by "the future duration of the contact, but by the fact that it is the first face-to-face meeting of individuals who have not known one another before."

Dr. Wood's investigation takes as a point of departure the social relationships that are already present in the group which the stranger has entered. From a comprehensive discussion of their nature, function and origin she proceeds to an analysis of their extension upon the stranger. The second part, "The Stranger and the Social Order," deals with "the obligation of kinship, the principle of authority and the principle of mutual obligation." In the third part different types of communities are studied for their specific social relations and the subsequent attitudes which develop toward the stranger. The book closes with an analysis of "The Stranger and the Specific Situation," that is, the forces which determine the position of the stranger. The author shows in this connection that "personality counts for more and the distinctions are finer in the more highly civilized groups."

In her comprehensive investigation Dr. Wood utilizes the findings of modern research in the field of social relations. Not always, however, does she avoid giving too much weight to a description of social relationships as such at the expense of her main subject. Thus many questions of particular interest for a sociology of the stranger are merely slightly touched. This holds especially true of the problems of assimilation and of a typology of the stranger which should include the various forms of the stranger from the tourist to the political emigré. The few interesting remarks of Dr. Wood concerning these problems are often lost in more general considerations. They do not compare with the instructive chapters on assimilation in A. Ruppin's thorough *Sociologie der Juden* and, more recently, in his *Jews in the Modern World*, or with Hermann Levy's discussions on types of English and non-English foreigners in his *Soziologische Studien über das*

englische Volk or with Robert Michel's attempt to analyze the phenomenon of the stranger in his book on patriotism. Also, it would have been worthwhile to elaborate the different national attitudes toward the stranger, an analysis which would have contributed incidentally to an elucidation of the various conceptions of nationalism corresponding to the different national reactions to the stranger. Research in this direction would have encountered interesting historical changes in attitude. Dr. Wood's book lacks historical perspective, save for abundant examples from the social organization of primitives. In this respect her study is typical of a trend frequently to be found in American sociology to overestimate at the expense of less remote history the significance of anthropological facts for an interpretation of modern life. But despite these limitations Dr. Wood's scholarly and judicious study is a valuable contribution to the complex problem of the stranger. It is the first time that the essential material has been collected in such a comprehensive manner. The author also understands how to use her own experiences as a stranger in different countries and to give thereby a lively background to a solid research work.

SIGMUND NEUMANN

Wesleyan University

BUTLER, E. M. *The Tyranny of Greece over Germany*. New York: Macmillan. 1935. 351 pp. \$4.25.

This book deals with the overwhelming influence which Greek thought and art exercised upon outstanding German writers of the eighteenth, nineteenth and twentieth centuries. It includes biographical analyses of Winckelmann, Lessing, Herder, Goethe, Schiller, Hölderlin and Heine, and too short a chapter including Nietzsche, George, Spitteler and Schliemann. The chapters on Hölderlin and Heine are especially rich in psychological and aesthetic perception. The author attempts to present the tragic and destructive character of German devotion to Greece, hoping thus to contribute to an understanding of the particular character of the German mind. Miss Butler, who some years ago made an excellent contribution to the knowledge of the Young German Movement,¹ a subject which Germans were not very eager to treat, is an outstanding student of German thought.

But the present book has a basic fault in its lack of any positive methodological approach. It is a very interesting collection of essays concerning certain individuals, their psychological problems and their

¹ *The Saint-Simonian Religion in Germany* (New York 1926).

intellectual achievements, but without unity of method. The tradition of the Greek heritage is, with the Christian religion, one of the important shaping powers in the west. Throughout the process of western history these spiritual forces have created the "good European." They have a creative power of their own but their historical realization is always determined by the vitality and structure of the national mind. In this cross-fertilization grow up the different types of humanism and classicism. Selection from the complexity of the ancient tradition depends on the historical situation and on the social groups which integrate them into the creativeness of their life. This dynamic and historical character of both the Greek tradition and the national mind has not, however, been recognized by the author, and the lack of a genuine historical and sociological approach makes her conclusions arbitrary and unacceptable. Goethe's idea of the *daimon* can neither be coordinated with Hölderlin's and Nietzsche's discovery of Dionysos nor dubbed "a mythical creation."¹ Similarly open to criticism are the author's statements on the mythical character of Nietzsche's Superman and George's Maximin. These are philosophical and poetical ideals rather than myths.² They are quite independent of Winckelmann, who gave the most adequate interpretation of his epoch only because he was opposed to the mechanical rationalism of the French aesthetic theory of imitation; in this respect he was a true representative of a new epoch of spontaneity and vitality.

It is a sociological and historical problem to understand the different types of renaissances. The revival of stoicism in the Roman empire and in the philosophy of the sixteenth and eighteenth centuries is one of the most provocative of these problems, as is also the growing interest today in pre-Socratic thinking and feeling, reflecting a new spontaneity which in a situation of crisis strives for new patterns of culture. The psychological and intellectual understanding of Euripides and Menander, which was reached by the middle classes in the late nineteenth century, was stimulated by Ulrich von Wilamowitz, Gilbert Murray and Eduard Fränkel, and was also strongly influenced by the tragedies of Ibsen and the comedies of Hofmannsthal. It is obvious that the different nations develop different types of humanism in response to their own historical characters. Miss Butler gives some

¹ Cf. Pfeiffer, Rudolf, "Goethe und der griechische Geist" in *Deutsche Vierteljahrsschrift für Literaturwissenschaft und Geistesgeschichte*, vol. 12 (1934) pp. 288 ff.; Salomon, Albert, "Goethe" in *Die Gesellschaft*, vol. 9 (1932) pp. 233-69.

² Cf. Rüdiger, Hans, "Georges Begegnung mit der Antike" in *Die Antike*, vol. 11 (1935) pp. 236-72, where the genuine problem of George's mythical creation is emphasized.

fine observations on the German mind, but she presents it as the static and absolute quality of the nation. She does not see the complex and dynamic character of the national minds, whatever may be the concrete nation. The national mind of Germany must be understood as the result of a very particular historical evolution in the religious and the political spheres and especially as the result of the development of the German middle classes. An historical and sociological analysis, such as that presented by Dilthey in his *Leben Schleiermachers*, would enable us to understand the unity of philosophy and poetry at the end of the eighteenth century. The individual features of humanism cannot be understood without considering the definite conditions of religious and intellectual life within a given historical social structure. The tragic character of German humanism in the period Miss Butler deals with is the genuine expression of the tension between the traditional dogmatism of the Protestant churches and the spiritual needs of a civilized and learned society.

ALBERT SALOMON

The American Sociological Review

The Official Journal of the American Sociological Society

PUBLISHED BI-MONTHLY

The *Review* contains the papers and proceedings of the Society, and contributed articles, book reviews and bibliographies of American and foreign sociological studies.

EDITORIAL BOARD

F. H. HANKINS H. P. FAIRCHILD H. A. PHELPS L. L. BERNARD JEROME DAVIS
NEVA DEARDORFF J. K. FOLSOM C. E. GEHLKE J. L. GILLIN

Annual subscription \$4.00

Single copies \$1.00

Subscriptions may be sent to The Managing Editor, American Sociological Review, University of Pittsburgh, Pittsburgh, Pennsylvania

BOOKS RECEIVED

- ANGELL, JAMES W. *The Behavior of Money. Exploratory Studies*. [Prepared under the auspices of the Columbia University Council for Research in the Social Sciences.] New York: McGraw-Hill. 1936. 207 pp. \$3.
- BENTWICH, NORMAN, and others. *Justice and Equity in the International Sphere*. [The New Commonwealth Institute Monographs. Series B. No. 1.] London: Constable. 1936. 59 pp. 6d.
- BUCK, A. E. *Modernizing Our State Legislatures*. [Pamphlet Series No. 4.] Philadelphia: The American Academy of Political and Social Science. 1936. 45 pp. 50 cents.
- CHAPMAN, CHARLES C. *The Development of American Business and Banking Thought, 1913-1936*. New York: Longmans Green. 1936. 351 pp. \$2.50.
- COLCORD, JOANNA C. *Cash Relief*. New York: Russell Sage Foundation. 1936. 263 pp. \$1.50.
- DREIS, THELMA A., compiler. *A Handbook of Social Statistics of New Haven, Connecticut*. [Published for the Institute of Human Relations, Yale University.] New Haven: Yale University Press. 1936. 146 pp. \$2.50.
- FANFANI, AMINTORE. *Saggi di Storia Economica Italiana*. [Pubblicazioni della Università Cattolica del Sacro Cuore, Serie terza: Scienze Sociali, vol. 16.] Milan: Società editrice "Vita e Pensiero." 1936. 303 pp.
- GOODRICH, CARTER, and others. *Migration and Economic Opportunity. Report of the Study of Population Redistribution*. Philadelphia: University of Pennsylvania Press. 1936. 763 pp. \$5.
- GREER, SARAH. *A Bibliography of Police Administration and Police Science*. New York: Columbia University Press. 152 pp.
- HOLMES, S. J. *Human Genetics and Its Social Import*. New York: McGraw-Hill. 1936. 414 pp. \$3.50.
- HOOKE, SIDNEY. *From Hegel to Marx. Studies in the Intellectual Development of Karl Marx*. New York: Reynal & Hitchcock. 1936. 334 pp. \$4.
- INSTITUTE OF SOCIOLOGY. *The Social Sciences: Their Relations in Theory and in Teaching*. [Report of a conference held under the joint auspices of the Institute of Sociology and the International Student Service, Sept. 1935.] London: LePlay House Press. 1936. 222 pp.
- KAPP, KARL W. *Planwirtschaft und Aussenhandel*. Geneva: Georg & Cie. 1936. 140 pp. 4 fr.
- LASKI, HAROLD J. *The Rise of Liberalism, The Philosophy of a Business Civilization*. New York: Harpers. 1936. 327 pp. \$3.
- LASSWELL, HAROLD D. *Politics: Who Gets What, When, How*. New York: Whittlesey House, McGraw-Hill. 1936. 264 pp. \$2.50.
- LEWIN, KURT. *Principles of Topological Psychology*. [Translated by Fritz Heider and Grace M. Heider.] New York: McGraw-Hill. 1936. 231 pp. \$2.50.
- MUNRO, WILLIAM B. *Major Changes in the Governments of Europe Since 1930*. [A supplement to *The Governments of Europe*, revised edition.] New York: Macmillan. 1936. 68 pp. 40 cents.
- PALM, FRANKLIN CHARLES. *The Middle Classes, Then and Now*. New York: Macmillan. 1936. 421 pp. \$3.50.
- PITTSBURGH FEDERATION OF SOCIAL AGENCIES, BUREAU OF SOCIAL RESEARCH. *A Bibliography of Studies of Social Conditions in the Pittsburgh Area 1930-1935*. Pittsburgh. 1936. 111 pp. \$1.
- PUBLIC ADMINISTRATION CLEARING HOUSE. *A Directory of Organizations in the Field of Public Administration 1936*. Chicago. 1936. 179 pp. \$1.

- RECORD, GEORGE L. *How to Abolish Poverty*. Jersey City: George L. Record Memorial Association. 1936. 201 pp. \$1.
- RIGAUDIAS-WEISS, HILDE. *Les Enquêtes Ouvrières en France entre 1830 et 1848*. Paris: Alcan. 1936. 262 pp. 30 fr.
- SCHWARZENBERGER, GEORG. *The League of Nations and World Order. A Treatise on the Principle of Universality in the Theory and Practice of the League of Nations*. [The New Commonwealth Institute Monographs. Series A. No. 3.] London: Constable. 1936. 191 pp. 6s.
- STEED, HENRY WICKHAM. *Vital Peace*. New York: Macmillan. 1936. 346 pp. \$2.75.
- VON HABERLER, GOTTFRIED. *The Theory of International Trade with its Applications to Commercial Policy*. [Translated from the German by Alfred Stonier and Frederic Benham.] New York: Macmillan. 1936. 408 pp. \$5.75.
- WALKER, E. RONALD. *Unemployment Policy, with Special Reference to Australia*. Sydney: Angus & Robertson. 1936. 258 pp. 5s.
- WARE, CAROLINE, and MEANS, GARDINER C. *The Modern Economy in Action*. New York: Harcourt Brace. 1936. 255 pp. \$1.60.
- WOLMAN, LEO. *Ebb and Flow in Trade Unionism*. New York: National Bureau of Economic Research. 1936. 250 pp. \$2.50.

The Journal of Land & Public Utility Economics

a quarterly founded in 1925 by Richard T. Ely
and published by Northwestern University

*Among the articles to appear in the November, 1936, or immediately
succeeding issues are*

- USE OF THE POWER OF EMINENT DOMAIN IN SLUM
RECLAMATION John Ihlder and Maurice V. Brooks
- THE DISTRICTING PLAN OF ORANGE COUNTY,
CALIFORNIA L. Deming Tilton
- LONG-DISTANCE NATURAL GAS PIPE LINES C. Emery Troxel
- THE INSURANCE OF MORTGAGES David T. Rowlands
- ALIENATION OF THE FEDERAL DOMAIN IN CANADA J. A. Maxwell
- THE OUTLYING BUSINESS CENTERS OF CHICAGO Malcolm J. Proudfoot
- Notes on current developments in land economics and public utilities
and reviews of recent books

Published in February, May, August and November

Subscription—\$5.00 per year

Single copies—\$1.25

337 East Chicago Avenue, Chicago, Illinois

American Economic Association

THE American Economic Association has as its purpose the encouragement of economic research, especially the historical and statistical study of the actual conditions of industrial life, the issue of publications on economic subjects, and the encouragement of perfect freedom of economic discussion. The Association as such takes no partisan attitude, nor will it commit its members to any position on practical economic questions.

Membership entitles one to receive the *American Economic Review* and the proceedings of the annual meetings.

Annual Membership	\$5.00
Life Membership	\$200.00

Applications for membership should be sent to:

The Secretary,
American Economic Association,

NORTHWESTERN UNIVERSITY,
EVANSTON, ILLINOIS.

THE GRADUATE FACULTY OF POLITICAL AND SOCIAL SCIENCE

MAX ASCOLI—Formerly Professor of Philosophy of Law in Italian universities.

KARL BRANDT—Formerly Professor of Agricultural Economics at the Landwirtschaftliche Hochschule, Berlin; in charge of the Institut für Landwirtschaftliche Marktforschung.

ARNOLD BRECHT — Formerly member of the German Reichsrat (Senate) and Reporter for the Federal Budget in this body.

GERHARD COLM—Formerly Professor of Economics at Kiel and head of the Department for Statistics and Research on International Business Cycles, Institut für Weltwirtschaft und Seeverkehr, Kiel.

ARTHUR FEILER — Formerly Professor of Economics at the Handelshochschule in Königsberg, and leading economics writer on the *Frankfurter Zeitung*.

EDUARD HEIMANN—Formerly Professor of Economics at the University of Hamburg; Editor of the *Neue Blätter für den Sozialismus*.

ALVIN JOHNSON—Director of the New School for Social Research.

HORACE M. KALLEN—Professor of Philosophy and Psychology at the New School for Social Research since its founding in 1919.

EMIL LEDERER (Dean)—Formerly Professor of Economics at Heidelberg and Berlin; Editor, *Archiv für Sozialwissenschaft und Sozialpolitik*.

FRITZ LEHMANN—Formerly assistant in banking at the University of Cologne.

ALBERT SALOMON—Formerly Professor of Sociology at the Pädagogische Institut in Cologne, and Editor of *Die Gesellschaft*.

GAETANO SALVEMINI—Professor of History, Universities of Messina, Pisa and Florence, 1901-25. Formerly editor of *L'Unità*.

HANS SIMONS—Formerly Director, Deutsche Hochschule für Politik, Berlin; Editor, *Wiederaufbau*.

HANS SPEIER—Formerly Dozent, Deutsche Hochschule für Politik, Berlin; Secretary, *Archiv für Sozialwissenschaft und Sozialpolitik*.

HANS STAUDINGER—Formerly Ministerialdirektor to the Prussian Ministry of Trade and Industry, and Secretary of State for Prussia.

MAX WERTHEIMER—Formerly Professor of Psychology and Philosophy at Berlin and Frankfurt; Editor, *Psychologische Forschung*.

FRIEDA WUNDERLICH—Formerly Professor of Economics and Sociology at the Berlin Training College; Editor of *Soziale Praxis*.

LECTURERS: ALFRED KÄHLER, RUDOLF LITTAUER,
CARL MAYER

66 WEST TWELFTH STREET · NEW YORK, N. Y.

A L

For-
s at
itor,
und

as-
rsity

erly
ido-
and

ofes-
Mes-
-25.

rec-
oli-
au.

ent,
tik,
So-
k.

erly
sian
try,
sia.

erly
Phi-
urt;
g.

For-
and
ing
xis.

Y.



